ValueInvestor INSIGHT

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The Leading Authority on Value Investing

Road Less Traveled

Sean Fieler and Brad Virbitsky of Equinox Partners describe why they invest in companies "you've never heard of that are in markets you may be leery of," where they find quality in cyclical, commodity businesses, what they look for in attractive short ideas, and why they think the market is mispricing Paramount Resources, MTN Ghana and Troilus Gold.

INVESTOR INSIGHT

Sean Fieler
Equinox Partners

To find good-quality businesses trading at what he believes are large discounts to intrinsic value, Equinox Partners' Sean Fieler has a well-defined field of play: "The companies we tend to own are companies you've never heard of, in markets you've never been to, and often operating in industries you may have bad feelings about," he says.

This prospecting off the beaten path has delivered for Equinox Partners L.P. investors, who since the fund's inception in 1994 have earned a net annualized 13.5% return, vs. 11.0% for the S&P 500. Never at a loss for what he considers interesting ideas, Fieler today is finding mispriced value in such areas as non-U.S. oil and gas, early-stage gold miners and the leading telecom company in Ghana.

You invest primarily in energy and mining companies, often located in emerging and frontier markets. How did that become your focus?

Sean Fieler: We consider ourselves better-business value investors and are serious about both aspects of that. The tension in that approach is making sure we don't trade away our value discipline and become GARP [growth at a reasonable price] investors, while at the same time not sacrificing on business quality and just buying super-cheap stocks. To get the combination of valuation and quality we want, we've found we have to look at markets people are less familiar with, in industries people are skeptical of. That's where we tend to find the biggest dislocations between where a security is trading and its intrinsic value.

Are energy and mining companies "better businesses"?

SF: Commodity businesses that are low in the cost curve and well managed can be high-return businesses over time. We also believe we're capable of understanding the supply and demand dynamics in commodity markets well enough to have conviction about the price of the commodity over a longer period. When that's the case, you can have the conviction to commit capital to what may be an average-return business today because you have good reason to believe it will be a good-return business over the next five or ten years.

It's hard for generalist investors to do what we do. Given where we invest and what we invest in, the list of why you wouldn't own the companies we own is pretty long. That opens up a set of investment opportunities to us that are off-limits to many others.

You cast a wide net for ideas – we'll talk about an idea in Ghana, for example, which may be a first for us – how do you define your geographic field of play?

SF: We want to be long-term partners with great managers running businesses that are or will generate high returns. We're not interested in countries where the political or macroeconomic situation potentially overwhelms anything that could possibly happen at the company level. That rules out places like Venezuela and Zimbabwe, for example. We've also found China to be generally incompatible with what we do because the corporate governance standards we want just aren't possible.

You mention Ghana. It is probably for us at the extreme end of a challenging macroeconomic and political environment, but MTN Ghana [Accra: MTNGH], the dominant telecom provider we own in the country, is a great business generating very strong dollar returns. Given the quality of the business and the discount to intrinsic value at which its stock trades, we're fine with the fact the macro backdrop isn't all that pristine.

Describe how you source ideas.

Brad Virbitsky: We don't do a lot of screening. Based on our history and experience we have a pretty well-developed sense at any point of the asset classes and jurisdictions that are out of favor and other investors want nothing to do with. We'll then travel to those regions where we think everything in a sector appears to be cheap and look for the best-managed and highest-quality businesses we can find. We've typically been there before and know people and the companies already, so we can hit the ground running.

SF: We'll put in the time to work through the available material on a company, talk to management, talk to the sell side, and prepare to visit. Some of our best investments have been in companies where we've bought more after an initial decline in the share price, and you can't really have the conviction you need to do that without having spent time with management and seeing physically where they are and what they do.

One of our largest oil company investments is in Seplat Energy [Lagos: SEPLAT and London: SEPL], based in Nigeria. The company has established itself as the most competent local oil and gas company, benefitting from economies of scale in consolidating resources sold off by oil majors and fully building out its midstream capabilities. As it develops and integrates the shallow-water assets of ExxonMobil it acquired at the end of last year we believe the company can double its return on capital from 10% to 20%. This is a case where investors lumping all commodity producers into the "bad business model" basket might not appreciate points of differentiation and advantaged economics like those Seplat has, giving us the opportunity to invest at what we consider attractive valuations.

As an example of what Brad mentioned, in our due diligence on Seplat we spent a lot of time with one of the co-founders, talking at length about how the company was built, how it's managed, its culture, how it's governed, and what it's like doing business in Nigeria. These are very different meetings than what you'll have on a road show in New York. For long-term investors, these are the types of conversations you want to have to fully understand a business and develop conviction about its prospects.

How "active" do your relationships with managements and boards tend to be?

SF: We take stewardship very seriously and believe we're obligated to understand the companies we're invested in well enough to run them strategically. We also think being on a couple boards makes us better investors. So we only invest where we believe management and the board are good and faithful partners and we can have an open and honest dialogue with them.

One frustration of ours is board members who aren't financially aligned with shareholders. We actually launched a website three years ago called "Directors Without Stock," where we list directors of publicly traded mining companies who have served on a board for two or more years and own less than two years' worth of their board compensation in the company's stock. Companies add value through the decisions they make – we can't have confidence in those decisions when financial interests aren't aligned with shareholders.

BV: One of the reasons we focus so much on governance is because we've been burned in the past. We've seen a lot of bad behavior over time by boards and management teams, and it's most often been when board members don't own stock and management doesn't have the right incentives. Had we done a better job understanding the board dynamics and incentive plans, we likely wouldn't have made as many of those mistakes.

You've written about your role on the board of Crew Energy, a long-time holding acquired a year ago by Canadian oil and gas company Tourmaline Oil. Describe your input there.

BV: We first invested in Crew in December 2014 and added significantly to our position during Covid. We saw considerable value in the company's low-cost and long-lived natural gas reserves in British Columbia, but came to conclude that given the capital spending needed to properly develop those reserves – costing something like 2x the then market cap – it made much more sense for a larger company to develop it. I joined the board in 2023 with management's support and the company announced last year it would

Sean Fieler

In Defense of Lumpy

Sean Fieler says value investing "clicked" for him working as a summer intern at Equinox Partners in 1994. He was charged with researching Scandinavian banks, which for a variety of short-term or accounting-related reasons were trading at up to 70% discounts to book value. "It hit home for me that you can find mispriced and high-quality assets in publicly traded markets," he says.

Fieler joined Equinox after graduating from Williams College in 1995 with a degree in political economy and now serves as the $1 billion (assets) firm's President and Chief Investment Officer. Equinox's specialties are investing in emerging and frontier markets and in energy and mining stocks, and while it's handily beating the S&P 500 since Fieler joined the firm it has not been a smooth ride. "We're using our value discipline to buy good businesses at large discounts to intrinsic value," he says. "We believe we know how to do that in a way that doesn't result in the permanent impairment of capital, but we don't know how to generate the long-term returns we have in a way that is stair-step or has low volatility. Our investor relations job would be much easier if we did, but that's just not the reality."

pursue a sale, which relatively quickly resulted in the deal with Tourmaline. That would have been less likely to happen without the deep knowledge of the business and strong shareholder alignment of the others on the board.

Mining company Solidcore Resources, which is based and trades in Kazakhstan, would seem like a fairly prototypical investment for you. Explain how and why it attracted your interest.

SF: I should describe first our general interest in gold and silver, the underlying metals for which we have a high degree of conviction. Our gold thesis has become quite popular with prices around $4,000 an ounce, but it's based on our belief that gold will continue to be the principal beneficiary of the global market's effort to find an alternative to the U.S. dollar, a benefit we believe accelerates in the next recession.

Our bullishness on silver, which is still non-consensus, is predicated on a supply-demand imbalance that we think has no apparent fix given the serious impediments to increasing silver mine supply. Silver-mining projects take more than a decade to go from discovery to production, and 50% of the world's silver production comes from challenging Latin American jurisdictions such as Mexico, Chile, Peru and Bolivia. It's also important that more than 70% of silver supply comes as a biproduct from mines of other primary metals. That makes silver production even less responsive to a rising silver price.

At the same time, silver demand is relatively indifferent to movements in price. Other metals are unworkable substitutes for silver in many more technically demanding industrial applications, leading to solid mid-single-digit growth in silver demand over the past decade. Investment demand for silver should also increase with higher silver prices. Overall, with supply stagnant and demand growing we think increasing silver prices are just a question of time.

With gold, we believe miners today like Solidcore Resources are more interestingly priced than the metal itself. The market has a lot of trouble weighing the risk/reward associated with development projects, and we think in some cases there's a significant disconnect between how reserves are valued and the current gold price. In silver we own miners, but have been increasing our exposure mostly through ownership of the physical metal and silver futures.

As for Solidcore, it has a lot of characteristics we tend to find interesting. It has a complicated past and operates in a not-well-understood or accessible jurisdiction, but it has high-quality assets and we believe a first-rate management team.

ON GOVERNANCE:

One particular frustration of ours is with board members who aren't financially aligned with shareholders.

The basic story is that the company had to be spun out from its Russian parent, Polymetal, when Polymetal was sanctioned and delisted. That wasn't easy, involving replacing the old shareholder base and getting approval to list on the Astana International Exchange in Kazakhstan. The company today operates two long-lived mines in Kazakhstan, producing 500,000 ounces of gold annually at a bottom-quartile all-in sustaining cost of $1,500 per ounce. At today's gold prices, we estimate it can generate roughly $770 million in after-tax free cash flow next year. For that, even after a good run in the stock as gold prices have increased, the shares [at a recent $5.50] are incredibly cheap. On an enterprise-value basis they trade at only 2.3x our 2026 estimate of free cash flow.

Describe your broader investment case for Canadian oil and gas producer Paramount Resources [Toronto: POU].

SF: There is an enormous amount of politics and spin around the oil market. It's no secret that the Trump administration is quite focused on keeping oil prices down, and China as the world's largest oil importer is also extremely interested in having low oil prices. While this is having an impact on current prices, we believe longer-term that market fundamentals win out and that per-barrel oil prices in the mid to low $60s are not sufficient to encourage the incremental investment needed to meet what we expect to be continually increasing demand. We're burning through the world's excess capacity and we're going to need higher oil prices to incentivize the investments necessary to meet growing demand.

If you believe the longer-term oil price is going to be higher, the returns available in the sector today can be really extraordinary. The stock market is not asking you to come up with a market-clearing price higher than $70 for that to be the case, but we think prices will ultimately be meaningfully higher than that. Unlike our thesis around gold, our views on oil are still not consensus.

BV: Paramount Resources was founded by Clay Riddell and the family still owns 47% of the outstanding shares. Clay's son Jim is now the Chairman and CEO and in the more than 20 years since we first bought the stock we've been impressed with the alignment of the management team and board and their willingness to take a longer-term view than most of their competitors.

The company has two primary assets. One is its Duvernay acreage in central Alberta, a play they discovered themselves and in which they were able to accumulate acreage when few others were looking at it. Phase one there is turning on now and when production is fully up and running by year-end 2028 it should be one of the lowest-cost, most productive oil plays in Canada, producing around 50,000 barrels of oil equivalent per day.

While they've been developing Duvernay, Paramount has also aggressively accumulated undeveloped natural gas assets in Alberta's Sinclair region and in the Horn River and Liard basins elsewhere in western Canada. Some of those early-stage assets are likely to be among the lowest-cost gas plays in Canada, while others are commonly seen as uneconomic at current natural-gas prices. In the latter cases mid-stream infrastructure is already in place and the company is testing new well techniques that might make the acreage currently viable. If not, they are prepared to hold it until prices are supportive of development.

To give a sense of what we think is management's intelligent approach to capital allocation, in 2023 the company had been pursuing the purchase of Chevron's Duvernay assets, which ended up selling at significantly higher prices than Paramount was willing to pay. Management recognized that given prevailing prices for producing properties, they should solicit bids on their mature assets in Canada's Montney shale play, which they ended up selling late last year for C$3.3 billion to Ovintiv Inc. They paid out two-thirds of that amount to shareholders – classified mostly as a return of capital and accounting for roughly half the then market cap – and are using the rest of it to develop their earlier-stage assets in Duvernay and elsewhere.

There's a lot going on here, more about the future than the present. How are you looking at valuation at today's C$22.65 share price?

BV: We think the market in companies like this is fairly accurately pricing current free cash flow but heavily discounting future growth. Assuming even low-$60s per-barrel oil and mid to high-C$3 Canadian natural gas, on our estimates three years out the stock currently trades at a free-cash-flow yield of around 20%. The company has net cash now, and we assume it can fund development without taking on any meaningful amount of debt. There's upside optionality, of course, if oil and gas prices come in higher than we've assumed, which we believe is likely.

I haven't mentioned other undeveloped acreage the company owns, including in oil sands. What we think sets them apart is a willingness to hold on to assets that may sit there for three to five years but in ten years might be valuable and productive. As a long-term owner we've been rewarded by development and production of such assets taking off. We expect that to continue to be the case.

Tell us more about your keen interest in MTN Ghana.

BV: We've owned this since its initial public offering in 2018. The company is still 70% owned by South Africa's MTN Group, which only listed it under pressure from Ghanaian authorities who wanted local institutional and individual investors to be able to invest in what is by far the best business in the country. We've been quite satisfied with the corporate governance, and think it's unlikely MTN would take advantage of its majority position to the detriment of minority shareholders.

MTN Ghana has been moving from strength to strength as it continues to dominate voice and data telecom services in Ghana and through its equally dominant money-transfer and payments business called MoMo (short for Mobile Money). On the telecom side there is a chronic lack of data capacity in the country, and as

INVESTMENT SNAPSHOT

Paramount Resources
(Toronto: POU)

Business: Exploration, development and production of oil and natural gas reserves; key assets are located in Canada, primarily in Alberta, British Columbia and Yukon Territory.

Share Information
(@10/30/25, Exchange Rate: $1 = C$1.40):

Price	**C$22.66**
52-Week Range	C$14.33 – C$32.83
Dividend Yield	5.3%
Market Cap	C$3.26 billion

Financials (TTM):

Revenue	C$1.46 billion
Operating Profit Margin	19.2%
Net Profit Margin	100.9%

Valuation Metrics
(@10/30/25):

	POU	S&P 500
P/E (TTM)	2.3	25.6
Forward P/E (Est.)	4.5	22.1

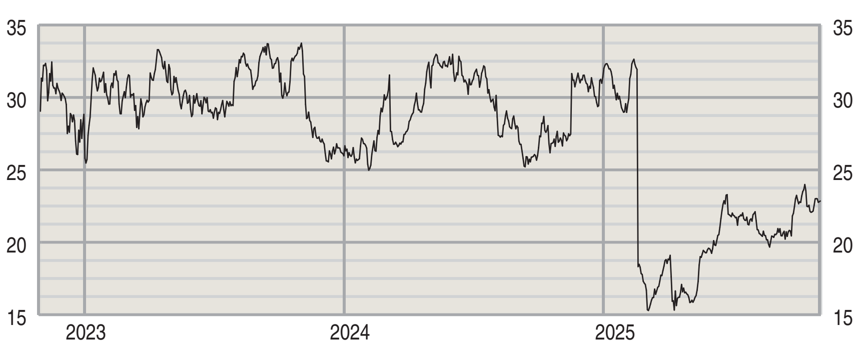
Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
Warner Inv Holdings	25.5%
Treheme Resources	10.4%
Universal Inv Holdings	10.4%
Vanguard Group	2.2%
Dimensional Fund Adv	1.9%

Short Interest (as of 10/15/25):

Shares Short/Float	n/a

POU PRICE HISTORY



THE BOTTOM LINE

The market in companies like this that are significantly ramping up production is fairly accurately pricing current free cash flow but appears to be heavily discounting future growth, says Brad Virbitsky. The company's stock today on his estimates three years out trades at a free-cash-flow yield of 20%, even when assuming current oil price levels.

Sources: S&P Capital IQ, company reports, other publicly available information

quickly as the company can spend to add network capacity it's filled up immediately with new demand. On the payments side, the mobile-money concept was originally pioneered by Safaricom in Kenya and has taken off for MTN in Ghana as essentially a bank-account and credit/debit-card substitute. The two businesses have similar profitability with mid-50s EBITDA margins, and we expect the company overall can grow revenues and profits at 30% or more over the next three to five years.

That does not sound like a company whose stock, at a recent price of 4.20 Ghanaian cedi, should trade at 5x estimated earnings. We assume that has to do with country risk. Describe how you are processing that.

BV: A lot of things have happened over the seven years we've owned this. Most prominently, the country defaulted on its external debt in 2022, triggering rampant inflation and the severe devaluation of the currency. The situation required a bailout from the International Monetary Fund and, more specifically to MTN Ghana, resulted in unfavorable new initiatives to tax money transfers and even develop a government-owned provider of 4G and 5G mobile-telecom services.

While we don't expect great things economically from the return to power this year of President John Mahama, who previously led the country from 2012 to 2017, he has spoken out against both the money-transfer levy and the government-owned 5G company. In addition, the new administration appears open to working productively with the IMF to continue to stabilize the debt situation and put the economy on more stable footing. That's all good news for MTN Ghana, which we expect to continue to grow through the general economic-recovery process.

In our valuation work we try to take full account of the macroeconomic and currency risks by reducing our expected total return more or less in line with expected inflation. When we do that today we still arrive at a roughly 35% estimated IRR on an investment in the stock at today's price with a three-year time horizon. As part of that there's a 15% expected dividend yield on the current price. The math to us remains very attractive.

Coming back to mining, why is Troilus Gold [Toronto: TLG] one of your top gold-miner holdings?

SF: When we first invested in this company in late 2020 it had just over $100 million in market cap and an undeveloped gold/copper mine in Quebec that was going to cost $1 billion-plus to develop. The feasibility study on the mine estimated it could produce an average 300,000 gold-equivalent ounces annually for more than 20 years, but at $2,000-per-ounce gold it didn't make financial sense to spend the money on development. It looked like a marginal producer that was stuck.

Some key things have changed since then. Gold prices are now close to $4,000 an ounce. The company also this year signed an offtake agreement with German smelting company Aurubis to purchase the gold produced by the Troilus mine, and with that entered into a deal with a bank syndicate led by Societe Generale to provide $700 million in project debt financ-

INVESTMENT SNAPSHOT

MTN Ghana
(Accra: MTNGH)

Business: Ghana's leading provider of voice and data telecom services as well as money-transfer and payments services through its MTN MoMo (for Mobile Money) platform.

Share Information
(@10/30/25, Exchange Rate: $1 = 10.85 Cedi):

Price	**GHS 4.20**
52-Week Range	GHS 2.16 – GHS 4.52
Dividend Yield	7.3%
Market Cap	GHS 55.59 billion

Financials (TTM):

Revenue	GHS 22.58 billion
Operating Profit Margin	43.9%
Net Profit Margin	29.9%

Valuation Metrics
(@10/30/25):

	MTNGH	S&P 500
P/E (TTM)	7.2	25.6
Forward P/E (Est.)	5.2	22.1

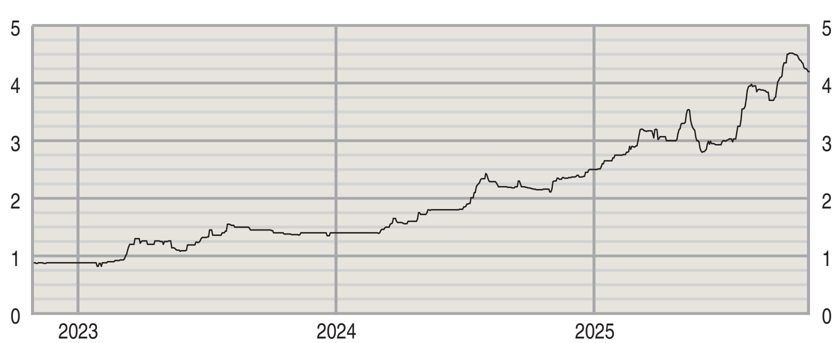
Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
MTN Group	70.0%
Social Security & National Ins	1.5%
Rock Creek Group	1.3%
Afcap Ghana	0.9%
Dadek Holdings	0.9%

Short Interest (as of 10/15/25):

Shares Short/Float	n/a

MTNGH PRICE HISTORY



THE BOTTOM LINE

While it operates in a challenging jurisdiction, the company has been moving from strength to strength operationally and Brad Virbitsky believes it can grow revenues and profits by 30% annually over the next several years. On a three-year time horizon, accounting for expected inflation and expected dividends, he sees a potential 35% IRR on the stock.

Sources: S&P Capital IQ, company reports, other publicly available information

ing. Now the additional equity required to put the assets into production is very manageable, maybe about $100 million, and the company is in an excellent position to move forward. Permitting should be done within the next year and construction will take another couple of years, with production commencing in 2029.

We now own just under 20% of the company and I'd emphasize what an incredible job Justin Reid, the founder and CEO, has done in managing this asset. There are a number of constituencies and steps involved in bringing something like this together and he's really done a masterful job in putting the pieces in place to move forward. It is not an inconsequential feat to finance a $1.3 billion capital project for a company that still has only a sub-US$400 million market cap

The stock not surprisingly has risen sharply this year. Recently at just over C$1.30, how are you looking at valuation today?

SF: We have invested in another asset in the same region of Quebec, are comfortable with the geology, and we believe the feasibility study on the mine is reasonable. When it reaches full production of about 300,000 ounces in its third year of operation it should be the fifth-largest gold mine in Canada, which at gold prices of $4,300-$4,400 an ounce would generate annual after-tax free cash flow in excess of Troilus's current market cap. Because the mine isn't yet producing the market is unwilling to pay up and the stock still trades at a fraction of its net asset value. If the shares traded at NAV, assuming current gold prices and discounting future values back at 10%, the stock would be 5x its current level.

Is this a company that ultimately gets sold to a bigger player?

SF: Anything is possible, particularly now that Troilus is exhibiting a clear ability to execute on the project itself. But the gap today is so large between the share price and what we consider the underlying value that any acquirer would have to put up quite a premium price for it to make sense for the company to sell.

You still actively short. Describe what tends to attract your attention on that side of your book.

SF: We short not only to generate alpha, but because it gives us incremental capital to reinvest during stressed environments. We'll typically have maybe 10% of the portfolio short but will cover everything when the market is down sharply – as it was early in the pandemic or earlier this year after "Liberation Day" – and recycle the money into then more attractively priced longs.

In the U.S. there is so much froth in the market that there have been a number of not-great businesses trading at very extravagant multiples. One of my favorite shorts in the fairly recent past has been Mister Car Wash [MCW], a U.S. carwash roll-up. It's a perfectly nice business but it never warranted the SaaS-like multiple-of-revenues valuation it had after going public in 2021. Stocks of basic businesses trading at ridiculous multiples can create opportunity on the short side. [*Note*: Initially priced at $15, MCW shares closed

INVESTMENT SNAPSHOT

Troilus Gold
(Toronto: TLG)

Business: Pre-revenue owner of a mining project under development in Quebec that when it commences production is expected to be the fifth-largest gold mine in Canada.

Share Information
(@10/30/25, Exchange Rate: $1 = C$1.40):

Price	**C$1.32**
52-Week Range	C$0.25 – C$1.70
Dividend Yield	0.0%
Market Cap	C$529.4 million

Financials (TTM):

Revenue	n/a
Operating Profit Margin	n/a
Net Profit Margin	n/a

Valuation Metrics
(@10/30/25):

	TLG	S&P 500
P/E (TTM)	n/a	25.6
Forward P/E (Est.)	n/a	22.1

Largest Institutional Owners
(@6/30/25 or latest filing):

Company	% Owned
Equinox Partners	19.3%
Franklin Resources	6.7%
Van Eck Assoc	5.8%
Konwave AG	3.1%
La Caisse de depot Quebec	2.8%

Short Interest (as of 10/15/25):

Shares Short/Float	n/a

TLG PRICE HISTORY

THE BOTTOM LINE

The company has done a masterful job of putting itself in position financially to develop what could eventually be the fifth-largest gold mine in Canada, says Sean Fieler. Production isn't expected to start until 2029, but when fully operational he expects the mine to produce annual free cash flow in excess of the company's current market cap.

Sources: S&P Capital IQ, company reports, other publicly available information

at $20 on their first day of trading. The shares traded recently at $5.50.]

A couple of other examples we've been short this year are restaurant companies Wingstop [WING] and Cava [CAVA]. I like chicken wings as much as the next person, but Wingstop is not a business that should have been selling at 100x earnings. For Cava, there's nothing at all wrong with selling Mediterranean food items in a bowl, but that's worth a finite value and there aren't a lot of barriers to competition. The stock is down nearly 70% from its 52-week high and still trades at 45x trailing earnings.

One of the frustrations of short selling is that you can have a great idea, but to manage risk it's important to keep position sizes down. We're almost back to our target of around 10% of our capital short, but we have 15 names on the short side because we've learned to keep exposure to any one company low.

How would you characterize your mood today as an investor?

SF: The overall enthusiasm and greed we see in capital markets today is unsettling and it should make all investors worried. If you know financial history over any meaningful period of time, you'll realize that the current market dynamics are not normal, not permanent, and have often been associated with large permanent impairments of capital.

In many ways what we do is fundamentally different from the investment strategy that has worked so well in the last 15 years, which is to be long the U.S., particularly growth technology names. We invest in emerging and frontier markets. We like energy and mining stocks. The pitch for what we do is that our businesses are uncorrelated – and often inversely correlated – to the mania in the U.S. stock and fixed-income markets. Are people banging down our door to invest in companies they don't know in markets they may be leery of? It's not for everybody, but we're convinced it's the way to go. VII

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