GVIC GLOBAL VALUE INVESTMENT CORP.

The Difference Between Risk and Volatility

“Investors don’t like uncertainty. As uncertainty rises, so does the premium they demand for assuming risk.”

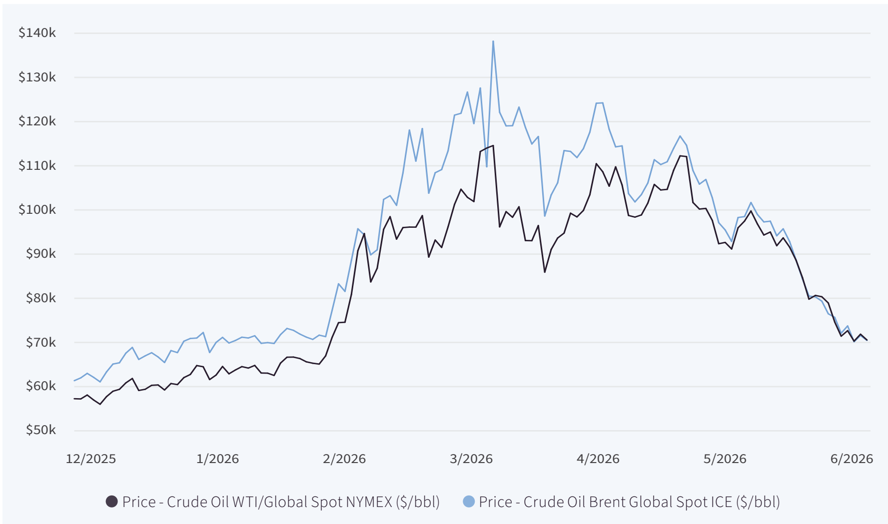
ECONOMIC AND MARKET OVERVIEW

Three months ago, we wrote that investors do not like uncertainty. More precisely, when uncertainty is treated as a proxy for risk, investors demand a higher return for owning securities rather than risk-free alternatives. All else equal, that higher required return pressures security prices lower. The second quarter offered a useful reminder that this relationship also works in reverse: prices can recover sharply when investors conclude not that uncertainty has dissipated, but that the most adverse outcomes have become less likely.

That change in perception was visible throughout the second quarter. At the beginning of April, the economic consequences of the conflict in Iran were still reverberating through capital markets. On April 7, a tenuous cease-fire was reached, and by mid-June a more formal cessation of hostilities had been announced. A fragile détente has since emerged, although a lasting peace remains elusive. Yet investors were quick to embrace the prospect of normalization – or, more precisely, reduced uncertainty about the eventual outcome – and pushed market indices higher.

Rapidly changing assumptions were perhaps most visible in the price of oil (see chart below). As we noted last quarter, roughly 20 million barrels of oil per day are exported from the Persian Gulf region, representing approximately 25% of daily seaborne oil volumes and 19% of global daily oil supply[1].

When the conflict in Iran escalated at the end of February, West Texas Intermediate crude oil traded for just under $67 per barrel. By April 7, it had risen to more than $114 per barrel. By quarter-end, it had fallen back below $71 per barrel. During the second quarter, WTI declined more than 31%, largely because investors came to view the most severe outcomes of the Iran conflict as less probable[2].



Source: U.S. Energy Information Administration, Petroleum & Other Liquids: Spot Prices.

[1] U.S. Energy Information Administration. (2025). Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint. U.S. Department of Energy. https://www.eia.gov/todayinenergy/detail.php?id=65504

[2] U.S. Energy Information Administration. (2026). Petroleum & other liquids: Spot prices [WTI crude oil, Cushing, OK]. U.S. Department of Energy. https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm

Equity markets experienced price movements of similar magnitude during the period, albeit in the opposite direction: the S&P 500 increased 14.9%[3], the Russell 2000 Value Index rallied by 17.2%[4], and the Value Line Geometric Index (our preferred benchmark for equity performance) advanced by 10.4%[5].

But the economic consequences of the Iran conflict did not vanish simply because capital markets steadied. The Consumer Price Index for All Urban Consumers ("CPI") rose 0.5% in May and 4.2% over the prior twelve months, while Core CPI (which removes price changes attributable to food and energy) increased 2.9%. The energy index alone rose 23.5% year over year and accounted for more than 60% of the monthly increase in CPI[6]. Labor-market data further suggested that the US economy may be slowing. The June employment report, released shortly after quarter-end, showed nonfarm payroll growth of only 57,000, an unemployment rate of 4.2%, and a labor-force participation rate of 61.5% – the lowest such reading since March 2021[7]. These data do not represent an immediate cause for alarm, but they do suggest that the economic picture is less rosy than headline equity returns imply.

That distinction brings us back to a point we have made before: volatility and risk are not the same thing. The risk that matters most to long-term investors is the possibility of permanent impairment of capital, not temporary price fluctuation. Short-term dislocations can create opportunity, but only for investors willing to distinguish between transient price movements and lasting deterioration in business value. Market movements in 2026 have demonstrated how quickly security pricing can reflect revised expectations.

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Our trepidation around broad-based equity valuations today is no secret. We recently penned a note entitled *"A Question of When. Not If."*[8] in which we recapped the measurements underlying our cautious disposition but, more importantly, reiterated how we prepare for the inevitable reversion to the mean from a valuation perspective. During the second quarter, we observed some isolated instances of irrational behavior by market participants. Most notably, the price of CPS Technologies Corporation (CPSH) – an equity position owned in client accounts – increased from $4.67 on May 21 to $11.59 on May 27 (in each instance, the closing price on the date noted); the stock reached an intraday high of $14.39. The number of shares that traded hands during this short period was many times the number of shares outstanding. We took the opportunity to exit the position well above our appraisal of intrinsic value (see below for more detail). As of the writing of this letter, the shares most recently closed at $4.71.

For long-term investors, these lessons are familiar. Our charge is not to predict every swing in sentiment or explain every price dislocation. It is to assess risk and uncertainty thoughtfully, demand an adequate margin of safety, and act decisively when market prices diverge meaningfully from our appraisal of value – a discipline that matters most when uncertainty feels highest and optimism returns the quickest.

PORTFOLIO UPDATE

The quarter presented opportunities both to solidify gains from investments that approached or exceeded our appraisal of intrinsic value and to deploy capital into securities where pessimism created attractive return potential. These transactions serve as a useful reminder that individual company outcomes often diverge significantly from the broad narratives that dominate financial media coverage. Our responsibility is not to predict headlines, but to evaluate businesses and securities one at a time, acting when the relationship between price and value becomes sufficiently compelling.

After initially investing in CPSH in October 2025, the market provided an opportunity to exit the position at a meaningful premium to our estimate of intrinsic value. We continue to view CPSH favorably from both a strategic and operational perspective. The company manufactures critical products, serves specialized markets, and is led by capable management. *However, a favorable view of a business does not in itself justify ownership of its securities at any price.* As long-term investors, we seek to purchase securities at discounts to intrinsic value and sell them when that discount ceases to exist. While we remain optimistic about CPSH's future prospects, valuation ultimately dictated the decision to sell. Should the market once again offer the opportunity to purchase shares at an attractive discount, we would gladly revisit the investment.

We also completed the sale of our investment in 2020 Bulkers AS (2020.NO or TTBKF) following the company's sale of the remaining vessels in its fleet and subsequent open-market share repurchases. The investment's success stemmed from a combination of

[3] S&P Dow Jones Indices. (2026). S&P 500 index performance data. S&P Global.
[4] FTSE Russell. (2026). Russell 2000 Value Index performance data. London Stock Exchange Group.
[5] Value Line. (2026). Value Line Geometric Index performance data. Value Line, Inc.
[6] U.S. Bureau of Labor Statistics. (2026, June 10). Consumer Price Index – May 2026 [News release USDL-26-0824]. U.S. Department of Labor. https://www.bls.gov/news.release/cpi.nr0.htm
[7] U.S. Bureau of Labor Statistics. (2026, July 2). The employment situation – June 2026 [News release USDL-26-1125]. U.S. Department of Labor. https://www.bls.gov/news.release/empsit.nr0.htm
[8] Global Value Investment Corporation. (2026). A Question of When. Not if. [Investment commentary].

favorable entry price and management execution. Shipping remains one of the most cyclical industries in the world, making valuation discipline especially important. Equally important was management's commitment to a straightforward capital allocation framework. From the outset, the company communicated that it would maintain a stable fleet, distribute earnings to shareholders, and monetize vessels when attractive opportunities arose. The board and management executed this strategy precisely as promised. While every business requires a capital allocation policy suited to its unique circumstances, the clarity and consistency demonstrated by 2020 Bulkers represents a model that management teams and boards would be wise to study.

The quarter also marked the redemption of PBF Energy Inc.'s (PBF) 6.00% senior notes due February 15, 2028. Our first investment in PBF's debt securities was in January 2022, when we purchased the company's 7.25% senior unsecured notes due June 15, 2025. At that time, pessimism surrounding trends in the consumption of refined products created an attractive investment opportunity. In 2023, we sold the 2025 notes and reinvested proceeds into the 2028 notes, at an average yield-to-worst of 7.37%. Over the subsequent years, the investment thesis endured periods of considerable volatility, including the February 2025 fire at PBF's refinery located in Martinez, California. Yet throughout the disruption, we believed the company's liquidity position, asset base, insurance recoveries, and financial flexibility provided meaningful protection to bondholders. The eventual redemption of the 2028 notes at par ($1,000 per bond) produced a satisfactory outcome and reinforced our belief that periods of uncertainty frequently create opportunities for disciplined credit investors.

Finally, fears surrounding artificial intelligence and its potential impact on existing business models allowed us to initiate positions in Concentrix Corporation's 6.85% senior unsecured notes due August 2, 2033, and Kyndryl Holdings Incorporation's 6.35% senior unsecured notes due February 20, 2034. In both cases, we believe investor concerns have become disconnected from underlying credit fundamentals. Our research suggests that Concentrix is positioned to benefit from technological change rather than be displaced by it, while Kyndryl's balance sheet strength, recurring customer relationships, and cash generation provide meaningful support for its debt obligations. These investments exemplify our longstanding approach: conducting independent research, remaining patient during periods of market pessimism, and acting decisively when attractive opportunities emerge.

FROM OUR LIBRARY

We recently began reading *Accounting for Value* by Stephen Penman, which informs investors on how to apply various accounting approaches to the evaluation of potential portfolio investments. A few excerpts from chapter one seem especially insightful:

> Remember that, to make the market efficient for you, someone must be doing the accounting and someone must be doing the valuation. And that someone expects to get a reward for his or her labors, possibly by trading with you or your money manager at your expense.
>
> "How does the market become efficient?"… Rather than seeing the information as a generic, undefined substance that nature provides to oil the efficiency of markets, the fundamentalist looks at information as a commodity that must be assembled and analyzed as a matter of rational design. If prices are efficient, it is the rational analysis of information that produces rational prices rather than something that flows by nature. If prices are not efficient, it is a failure of the supposedly rational man in handling information, a failure to account for value appropriately[9].

While originally published in 2011, readers could be forgiven for assuming the author was describing current events. Periods of unusual market behavior serve as an important reminder that price and value are not always the same thing. While markets are often described as "efficient," prices only reflect underlying value when investors are actively analyzing businesses, weighing risks, and making thoughtful investment decisions. That process requires discipline, experience, and independent judgment – it does not happen automatically.

Today's market environment has been characterized by increasingly narrow leadership, rapid shifts in investor sentiment, and trading activity that often appears driven more by momentum, capital flows, and manic investor behavior than by changes in business fundamentals. These conditions can produce meaningful pricing dislocations, where market prices diverge from our assessment of long-term appraised value.

Rather than altering our investment philosophy to follow prevailing trends, we are doubling down on the principles that have guided our investment process for many years. We continue to conduct rigorous fundamental research, evaluate businesses based on their long-term earning power, and invest patiently when we believe prices fail to reflect appraised value. History has shown that periods of heightened dislocation often create some of the

[9] Penman, S. H. (2011). Accounting for value. Columbia University Press (excerpt from ch. 1).

most attractive opportunities for disciplined, long-term investors.

While short-term market movements can be unpredictable, our focus remains unchanged: preserving capital, identifying compelling long-term investment opportunities, and acting decisively when market prices provide an attractive margin of safety. We believe that maintaining discipline when others are driven by emotion or short-term considerations gives us the best opportunity to create value for our clients over time.

FIRM UPDATE

At the end of April, GVIC held its 19th annual meeting of stockholders in Charleston, South Carolina. During the meeting our CEO, JP Geygan, provided an update on the firm's current business conditions and outlook for the years ahead. In addition, each team member reviewed developments within their respective areas of responsibility over the past year and discussed priorities and expectations for the coming year.

Satendar Singh and JP Geygan both celebrated their nine-year anniversaries with the firm this quarter! Each plays a vital role in continuously improving our investment research process and supporting the firm's mission of deploying patient capital to build generational wealth. Please join us in congratulating JP and Satendar!

This has been a year of steady, deliberate growth for GVIC, built the same way it always has been: the trust clients like you place in us and extend to family, friends, and colleagues. We remain committed to being worthy of it, today and in the years ahead.

CONCLUDING THOUGHTS

Markets moved sharply in both directions this quarter, and they may move again before this reaches you. Our discipline does not change with the direction of the market. We continue to evaluate businesses on their underlying value, not their current price, and we act only when a meaningful gap exists between the two.

Short-term price fluctuation does not equate to permanent impairment of capital, and market price does not always reflect underlying value. Making that distinction, consistently, is the discipline we bring to managing your capital, in this environment and in every environment.

If your investment objectives or financial situation have changed, please let us know. We're happy to discuss and assist in planning for both current financial needs and long-term goals.

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