



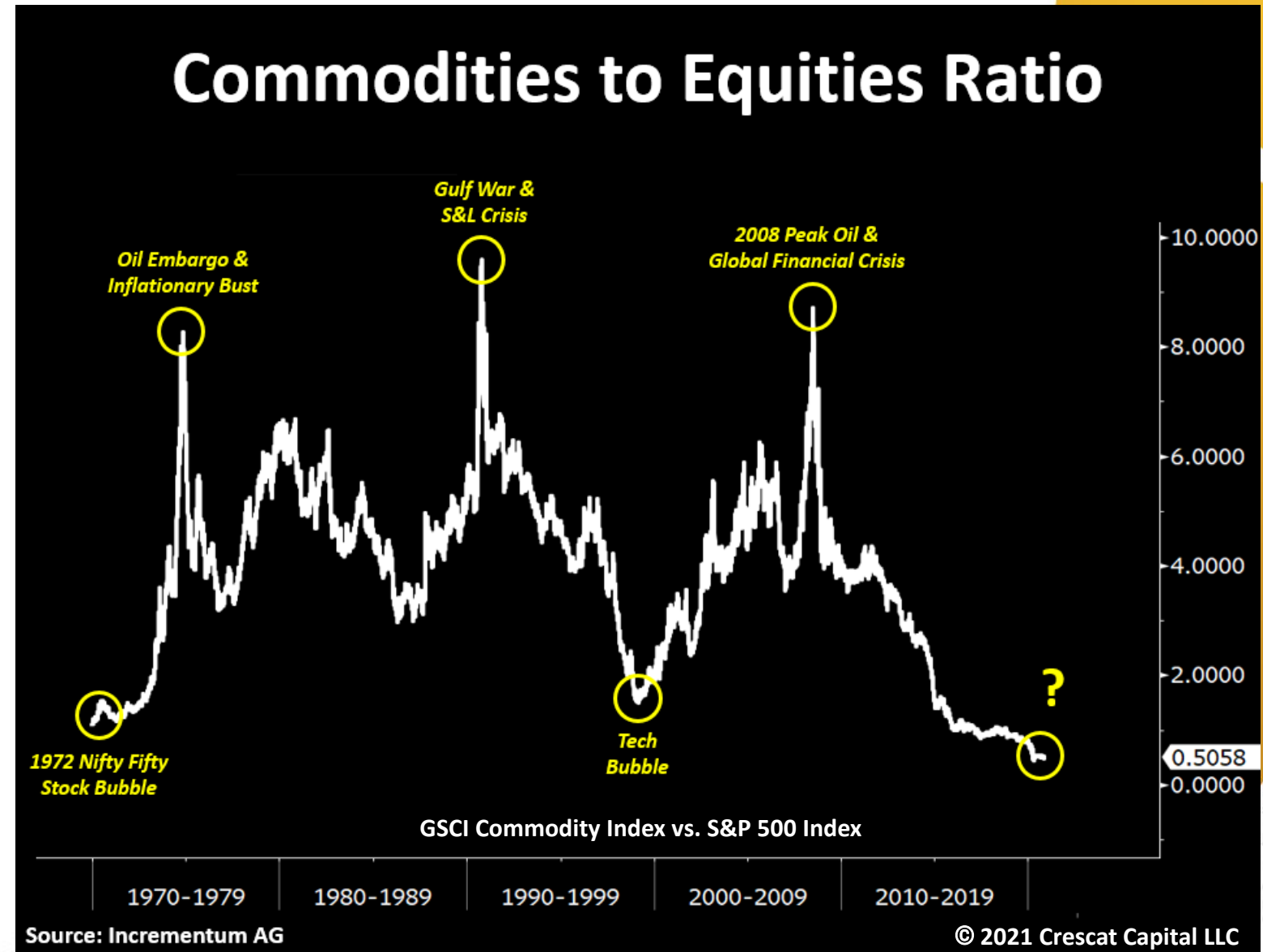
CRESCAT CAPITAL®
THE VALUE OF GLOBAL MACRO INVESTING

MACRO PRESENTATION

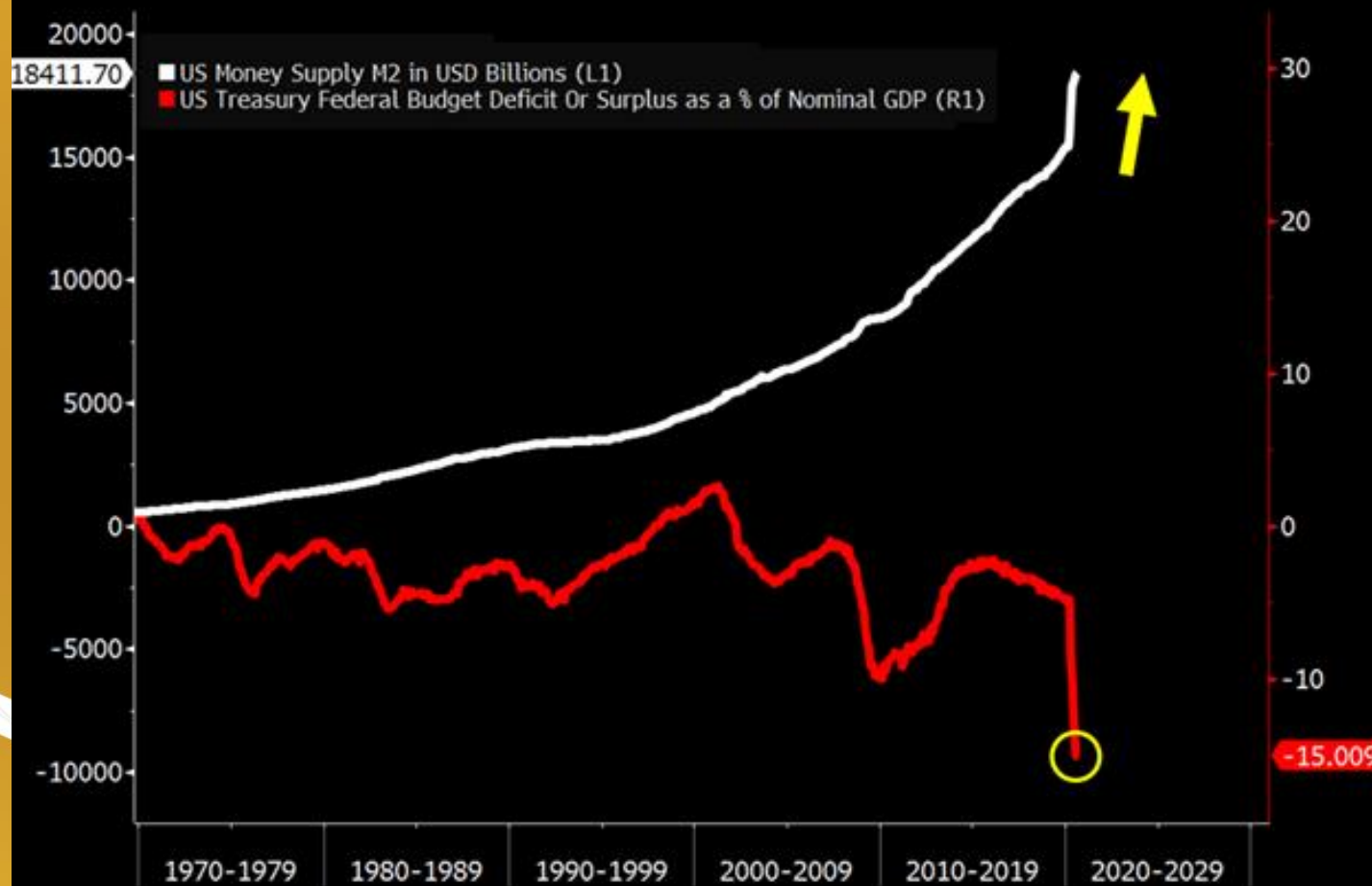
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The commodity-to-equity ratio is at a 50-year low.



Money Supply vs. Fiscal Deficit



Source: Bloomberg

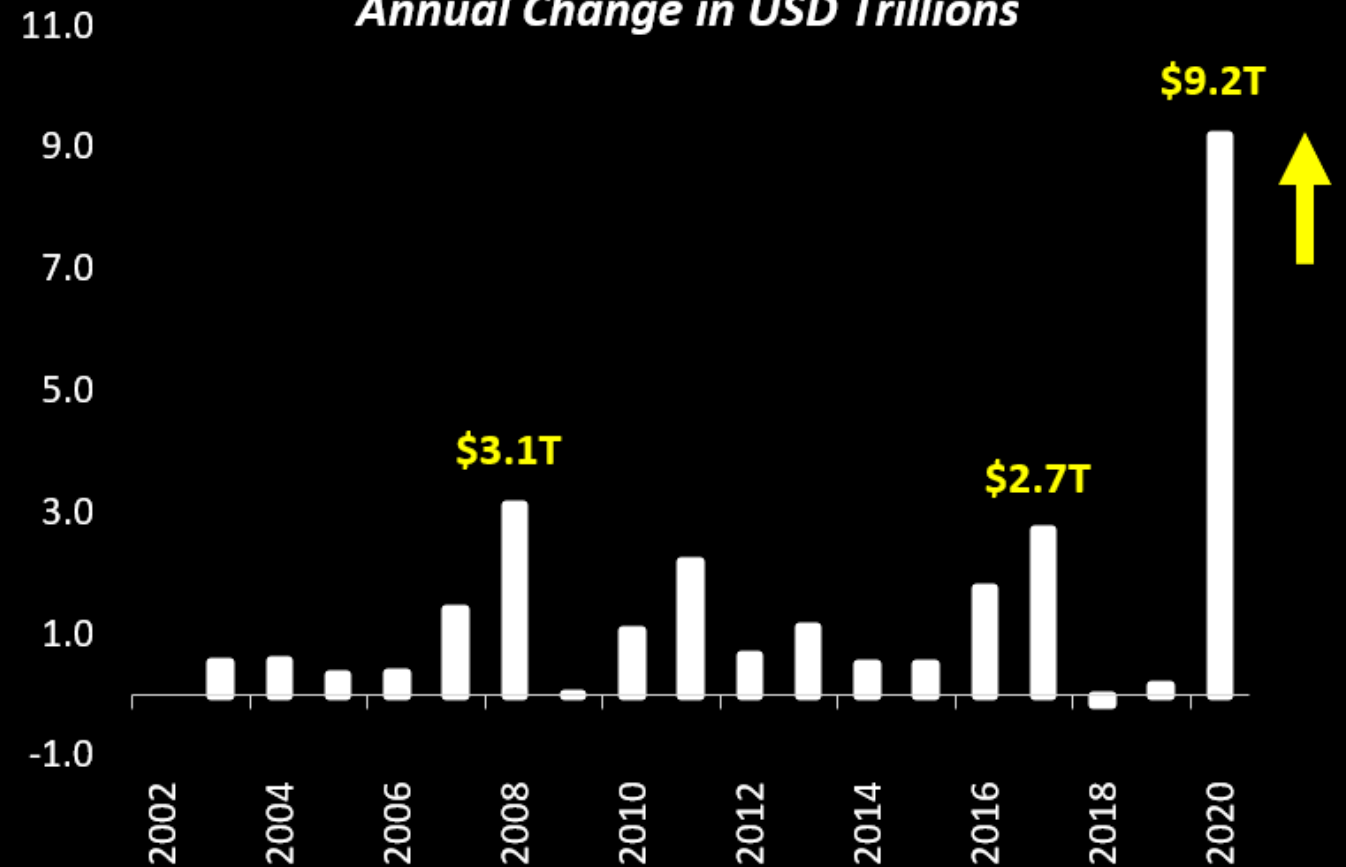
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Monetary and fiscal disorder have perhaps gone too far this time around and significant monetary debasement is, in our view, inevitable.

To summarize 2020:
\$9T of monetary
stimulus worldwide in a
single year, by far the
highest amount we've
ever seen.

Global Central Banks Assets

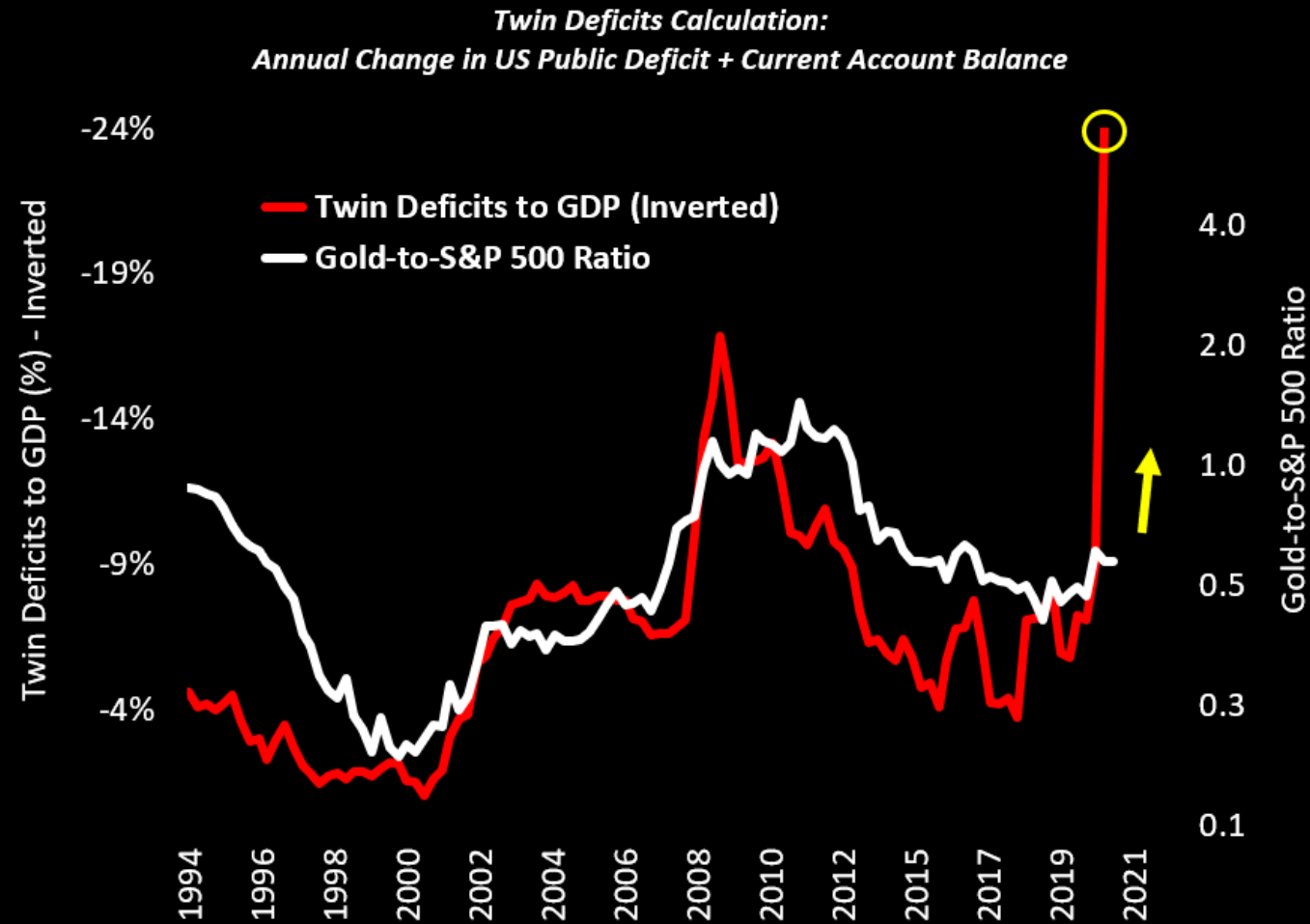
Annual Change in USD Trillions



Source: Bloomberg

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Twin Deficits vs. Gold-to-S&P 500 Ratio

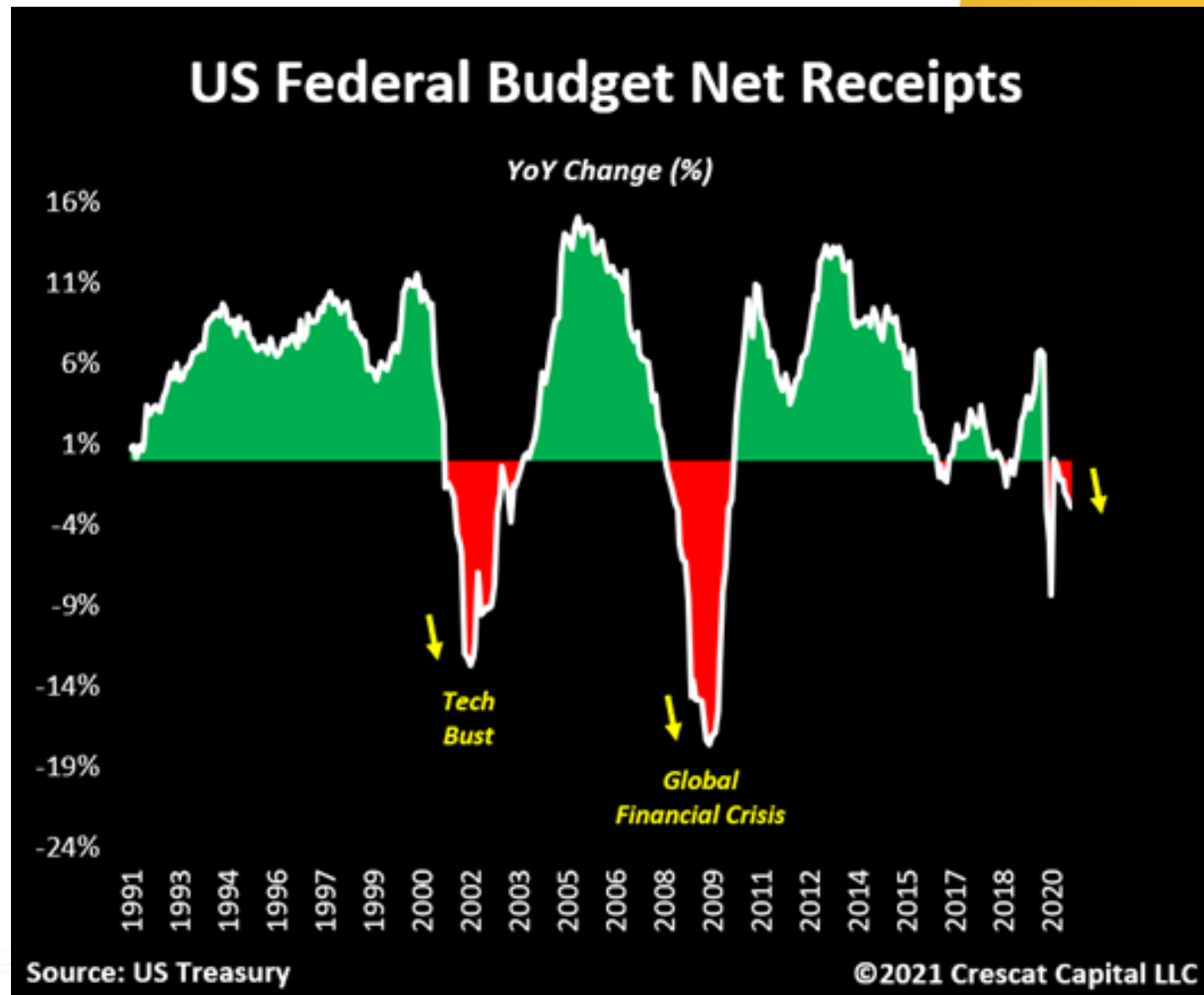


Source: US Treasury, Bloomberg

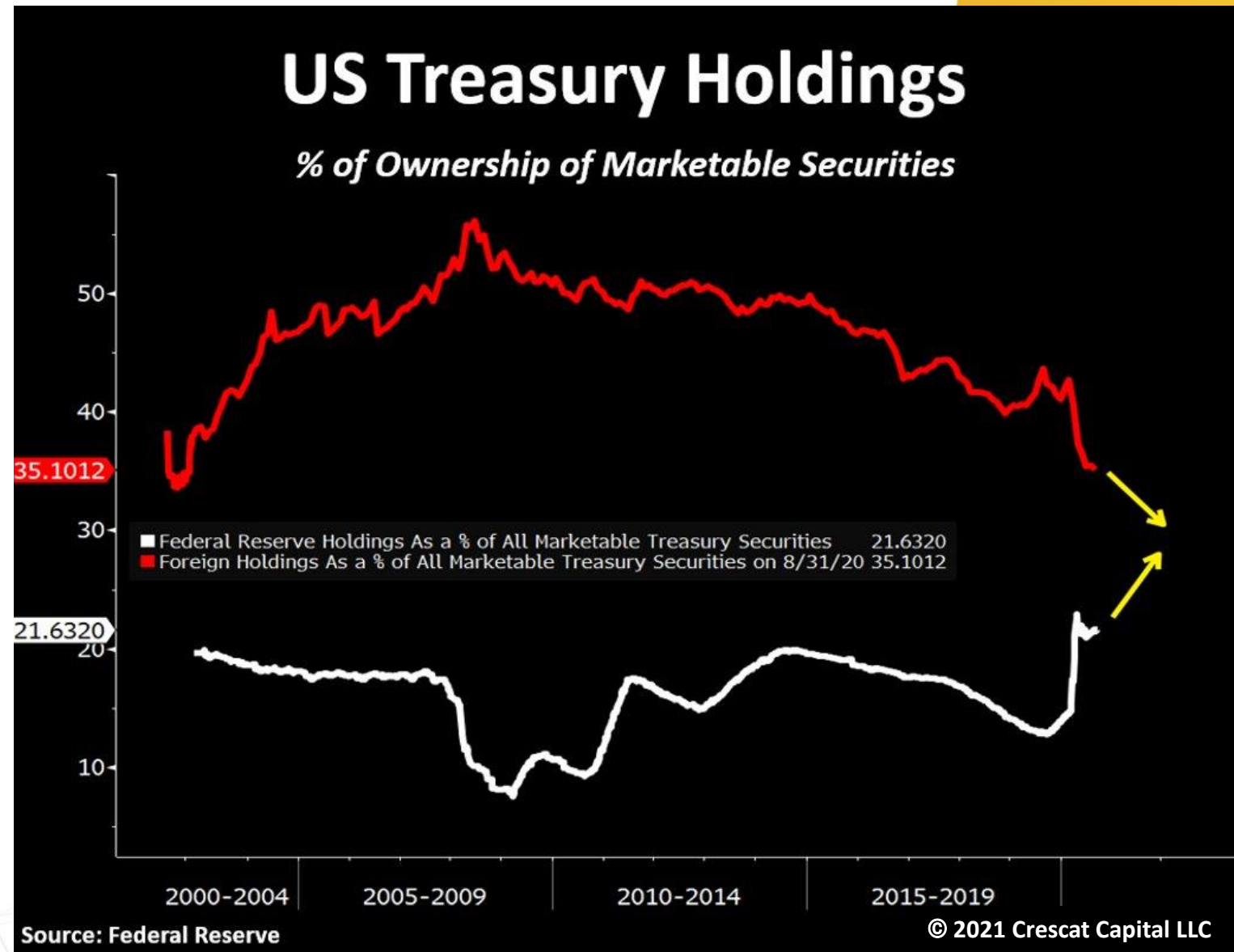
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History has proven during times of fiscal disorder gold tends to outperform equities. Inverted twin deficits suggests a massive upward move in the gold to S&P 500 ratio is still ahead.

Not only is fiscal spending surging but US Federal net receipts are also starting to turn lower again. As of January 2021, US federal receipts are down -3% on a year over year basis.



Foreign investors are currently holding the lowest percentage of marketable US Treasuries in 20 years. The Federal Reserve is becoming the buyer of last resort.



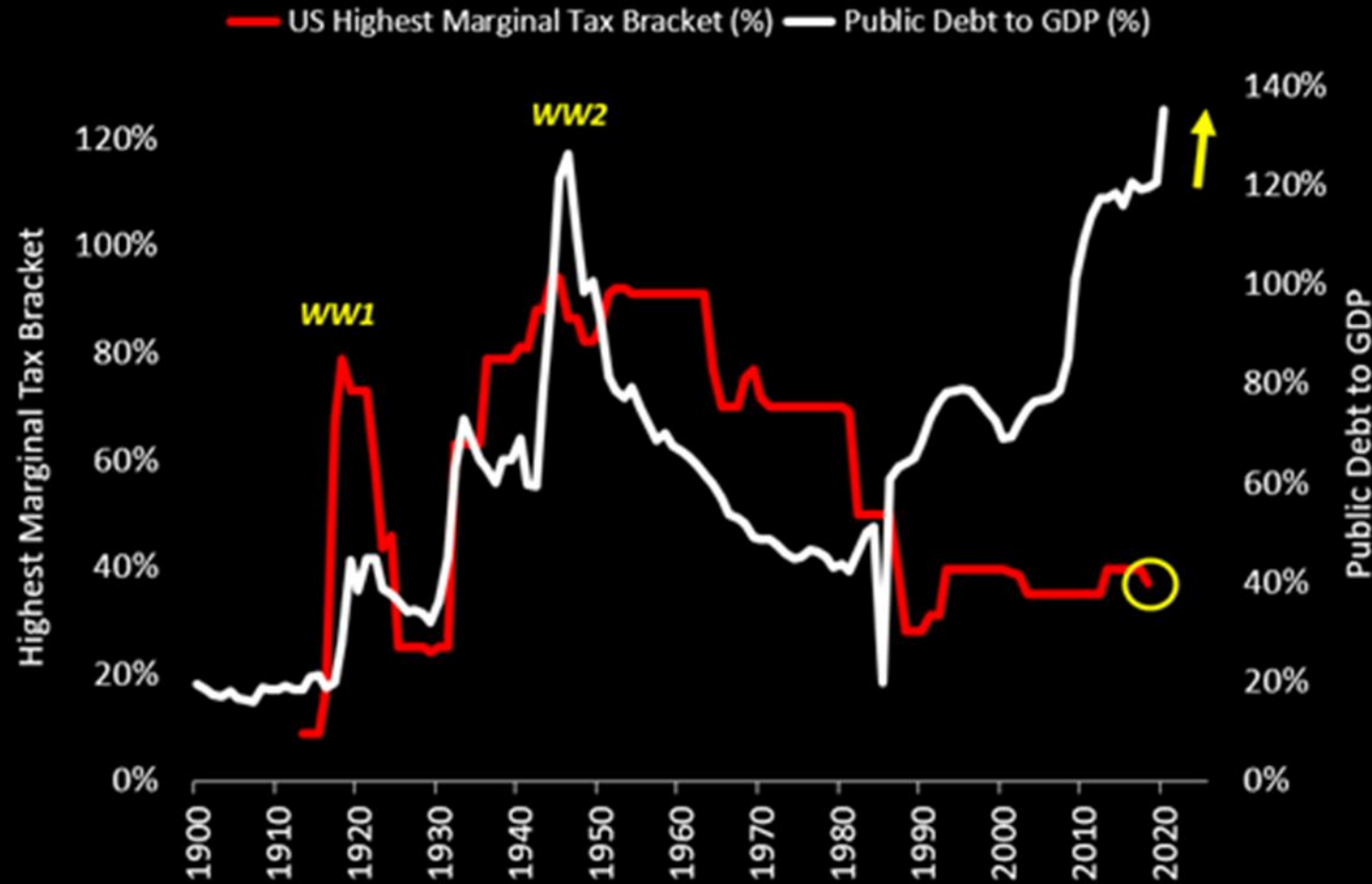
US Banks Treasury Holdings vs. C&I Loans

Calculation: Treasury Holdings – Commercial & Industrial Loans in USD Billions



US banks now have \$993 billion more of US treasury holdings than the combined value of commercial and industrial loans.

US Marginal Tax Bracket vs. Government Debt



Source: Federal Reserve

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For people calling for the Roaring 20's, back then not only was inflation falling but tax rates were also in a downtrend. There is no way either of those factors will be in play today.



Crescat Macro Model



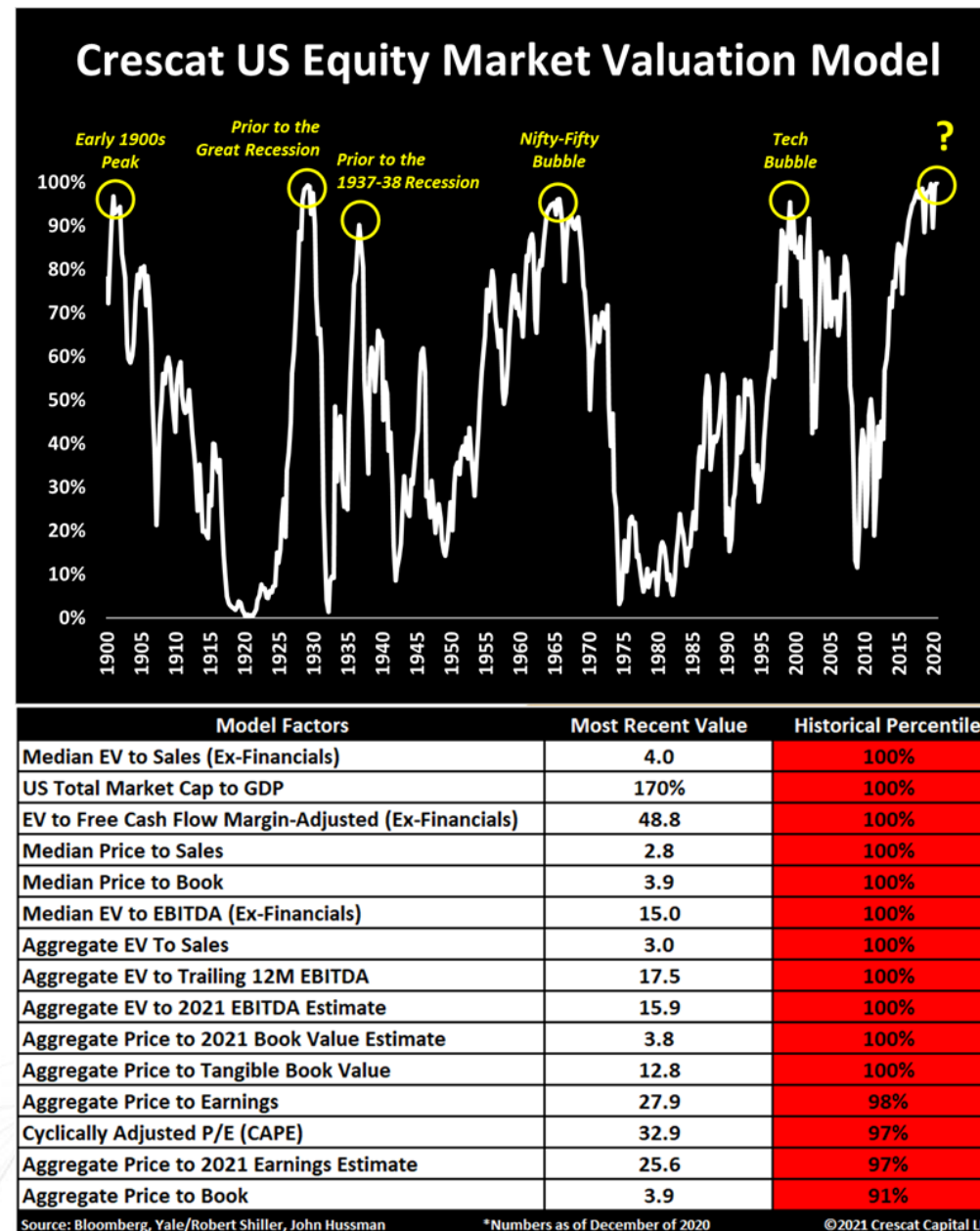
Source: BIS, IMF, BLS, Fed, Conference Board, Bloomberg

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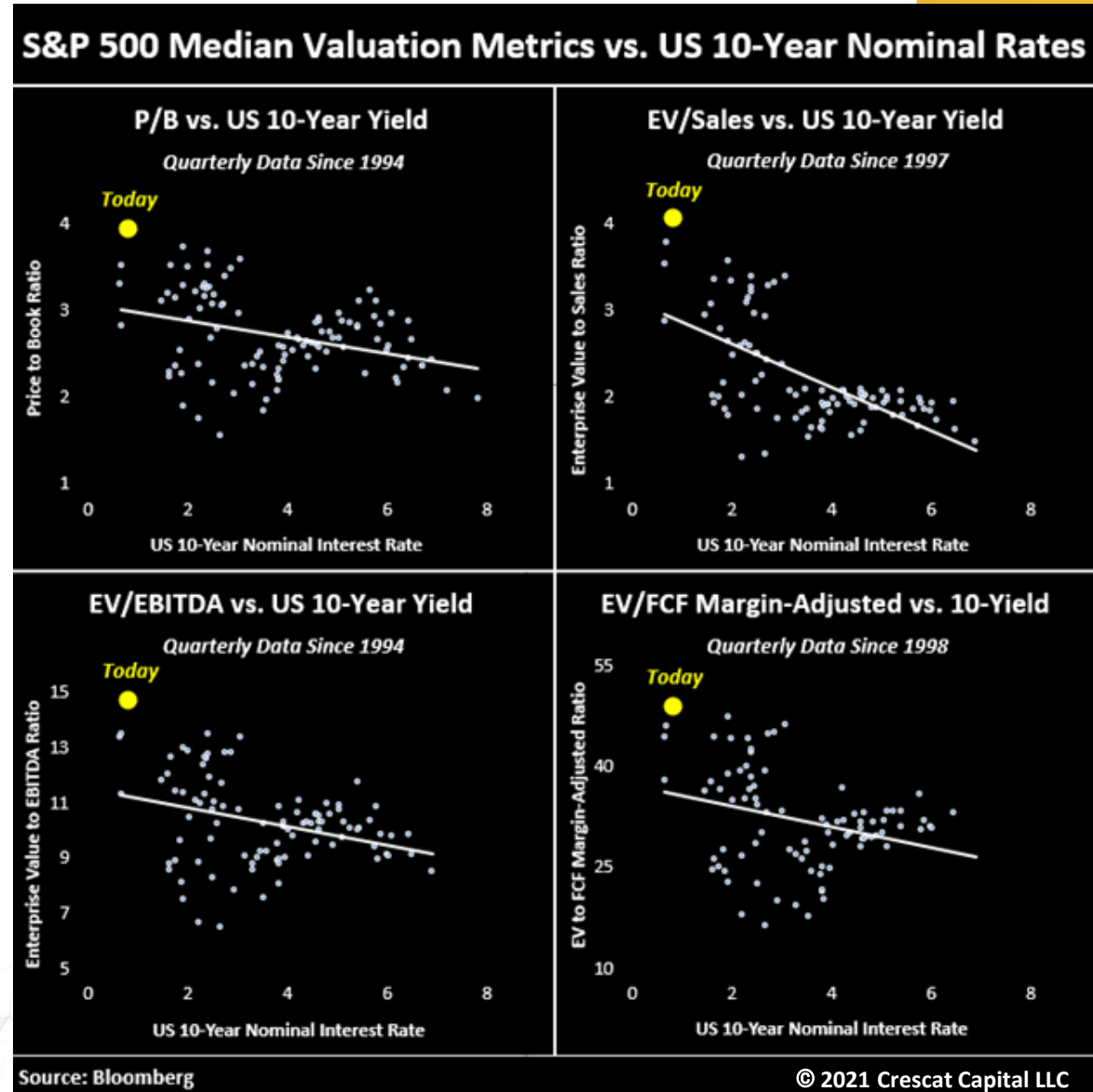
Our recently plunging macro model from an extreme is signaling a major disconnect with current stock prices.



Crescat's 15-factor valuation model is at record levels with 11 out of 15 fundamental metrics in the 100th percentile historically.

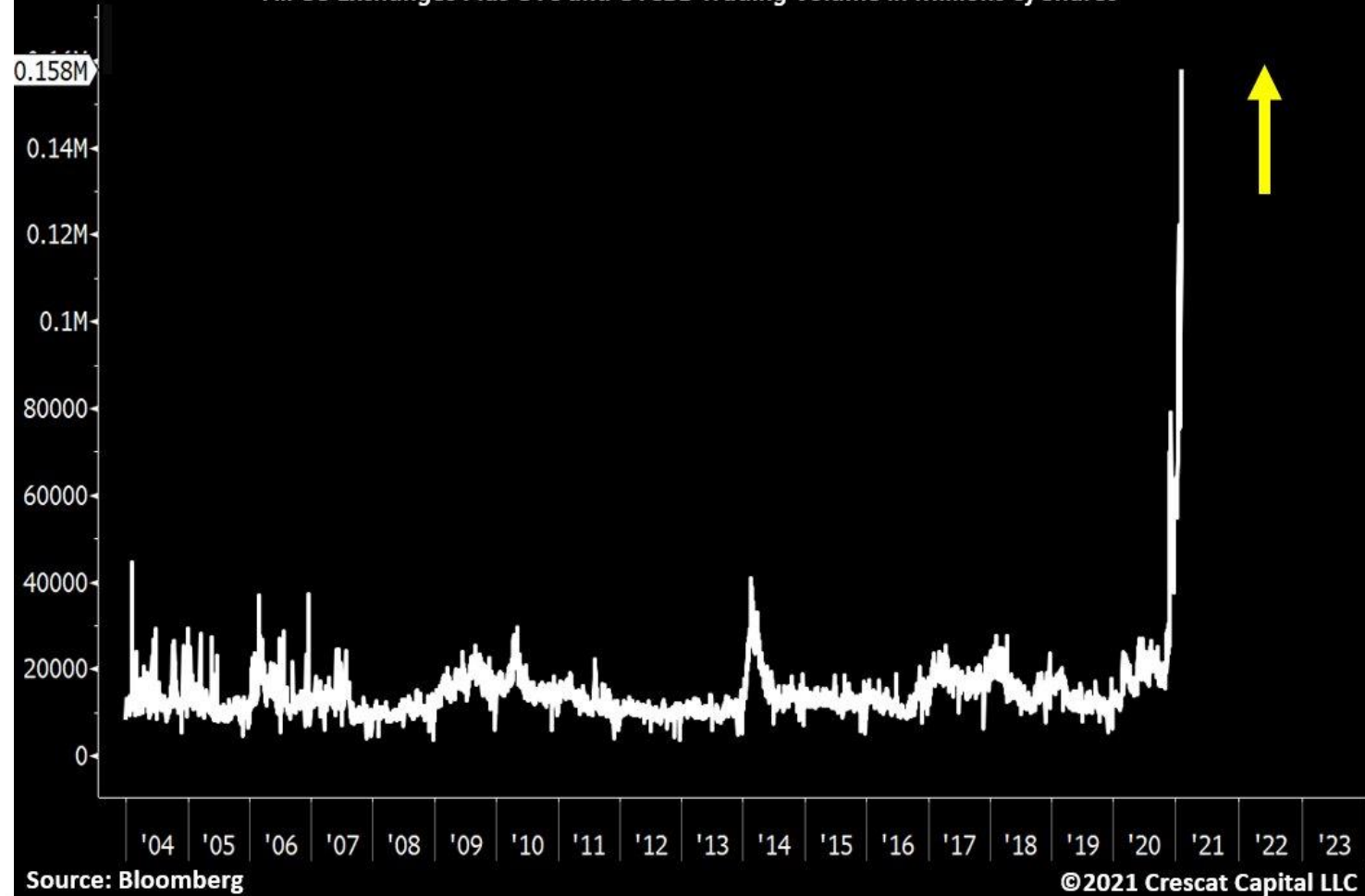


Four different valuation metrics using median S&P 500 company data. Today's stock market multiples are the most extreme relative to interest rates in the last 25 years.



US Equity Volume

All US Exchanges Plus OTC and OTCBB Trading Volume in Millions of Shares

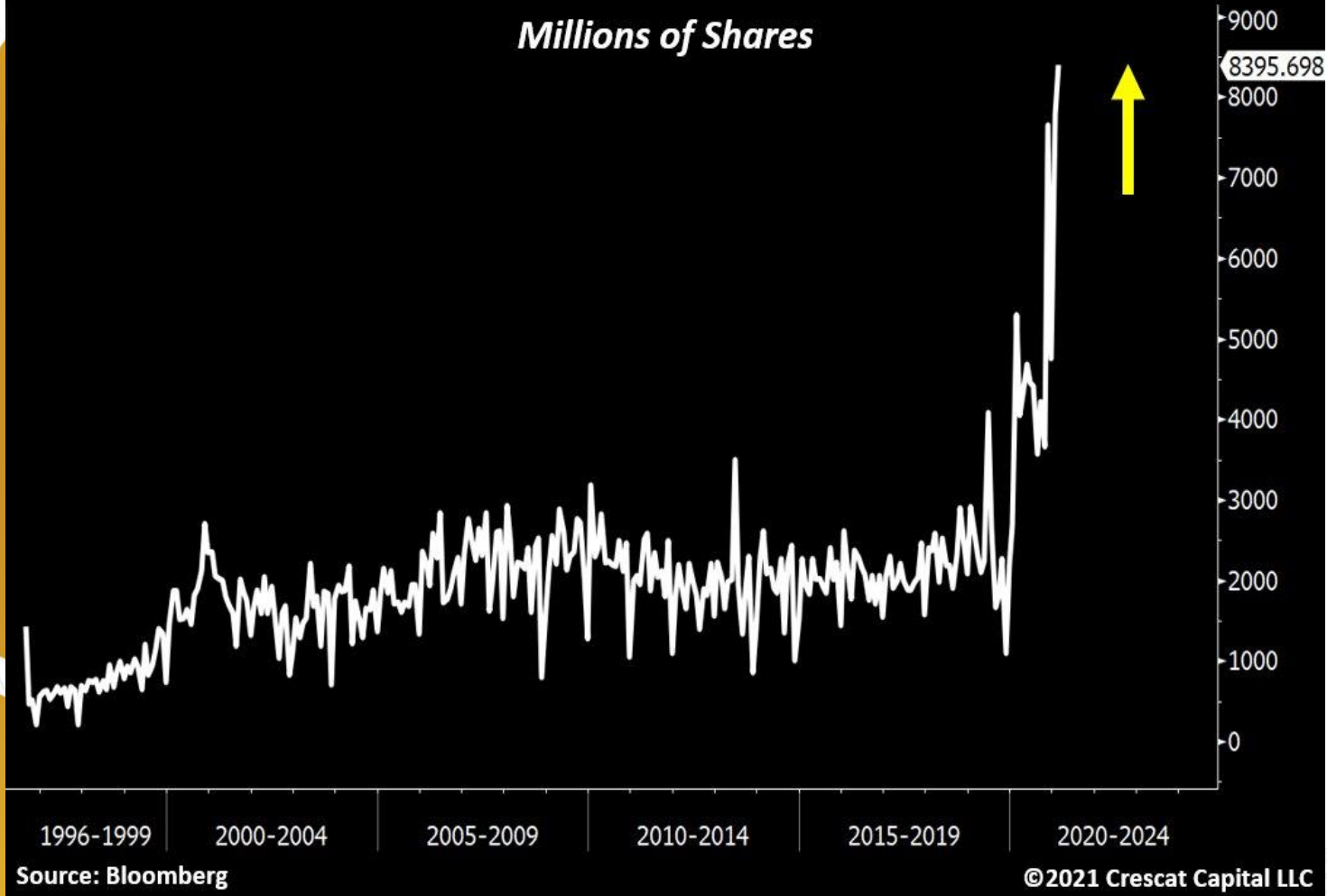


Aggregate volume for US stocks today is just above four times its historical average while at record prices.



Nasdaq Stocks Volume

Millions of Shares



Here is the Nasdaq stocks volume since in the 90's, displaying the uptick in trading volume at historical prices.

US Small Caps

Russell 2000 Index



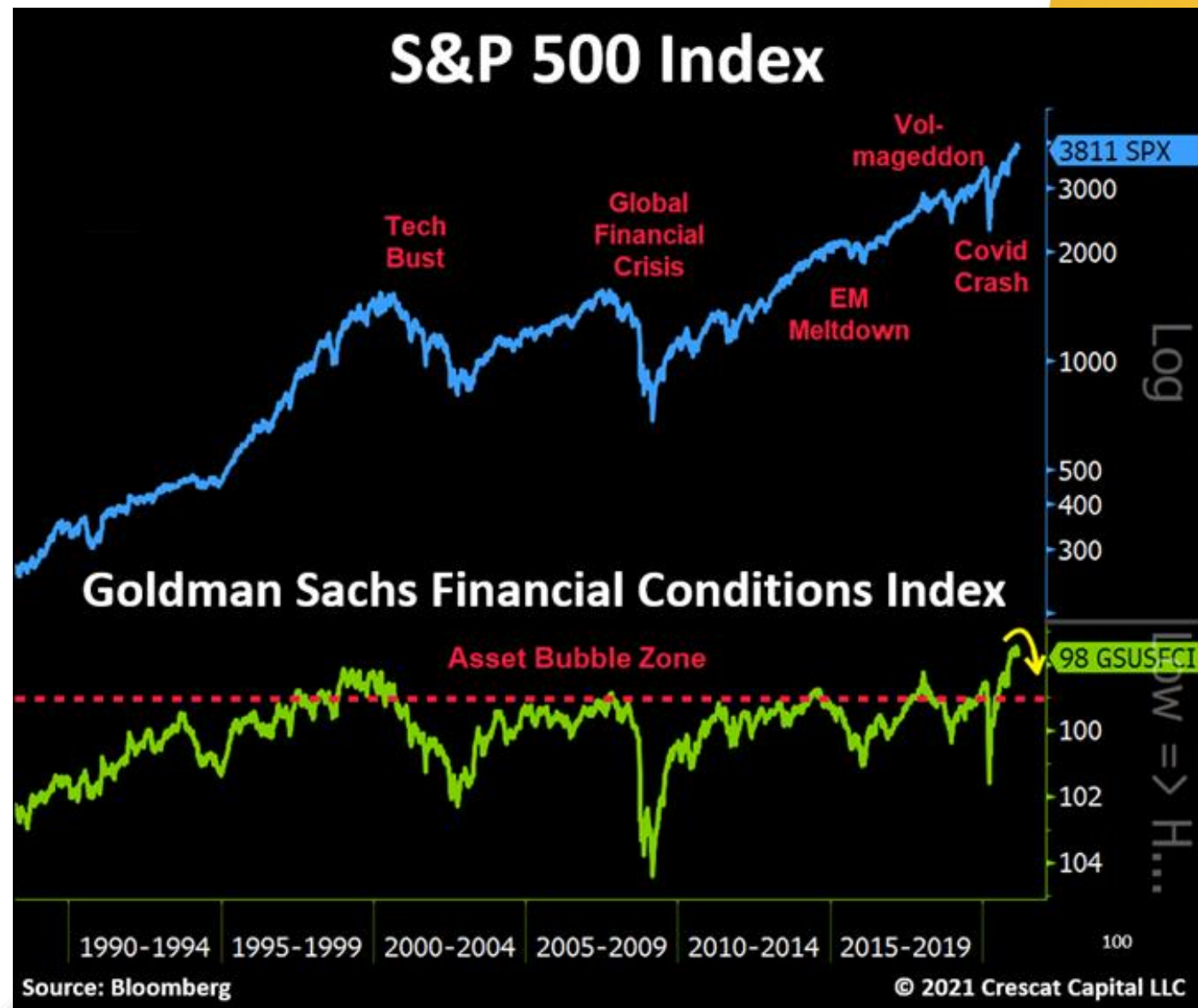
Source: Bloomberg

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The Russell 2000 small cap index is in “la la land” too, with stock prices completely diverging from actual fundamentals, pricing in way too much improvement in earnings before the fact.

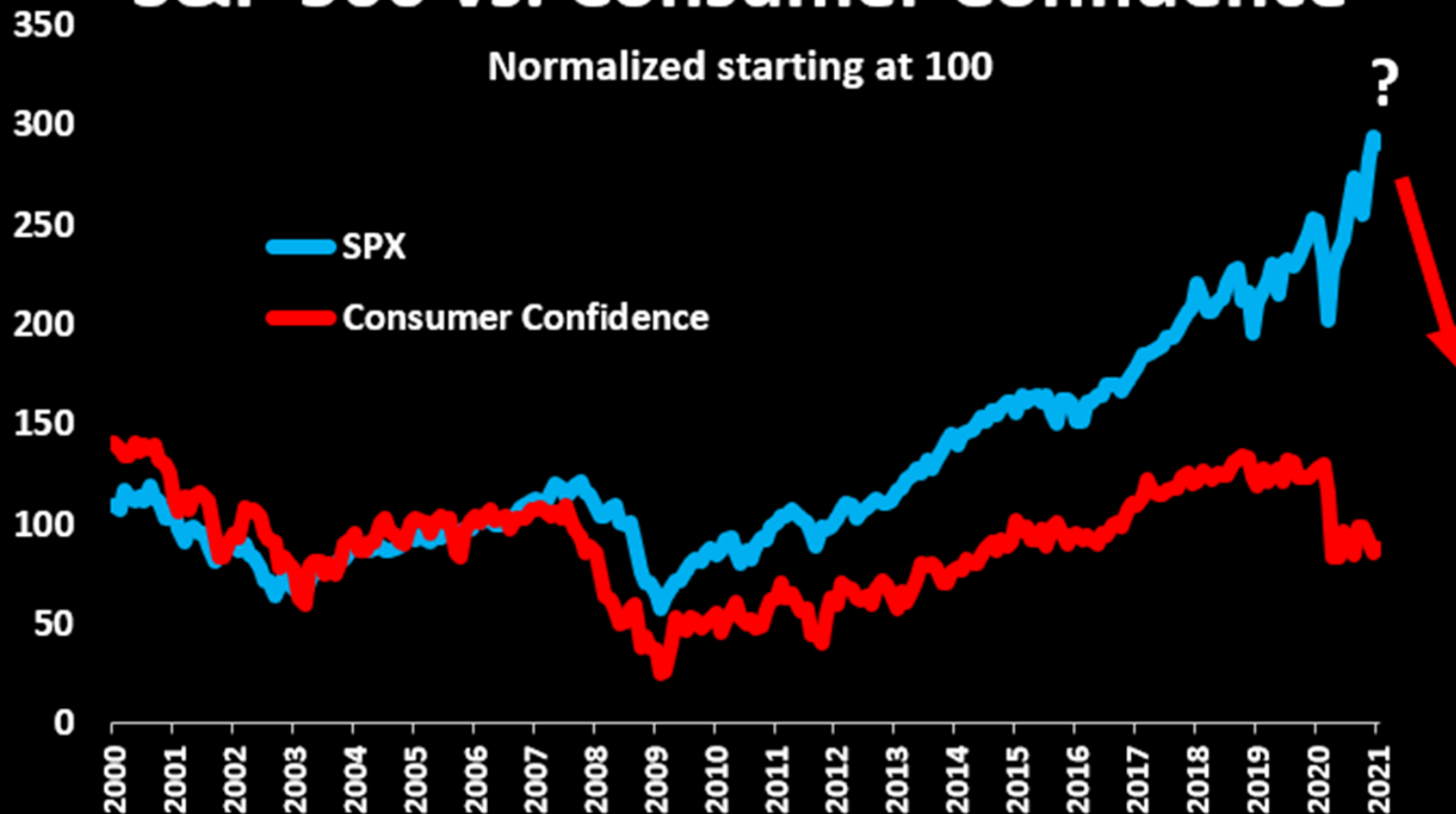


The yield curve is steepening, long-term nominal rates are rising, and stocks, which are long duration assets, are now in danger.



S&P 500 vs. Consumer Confidence

Normalized starting at 100

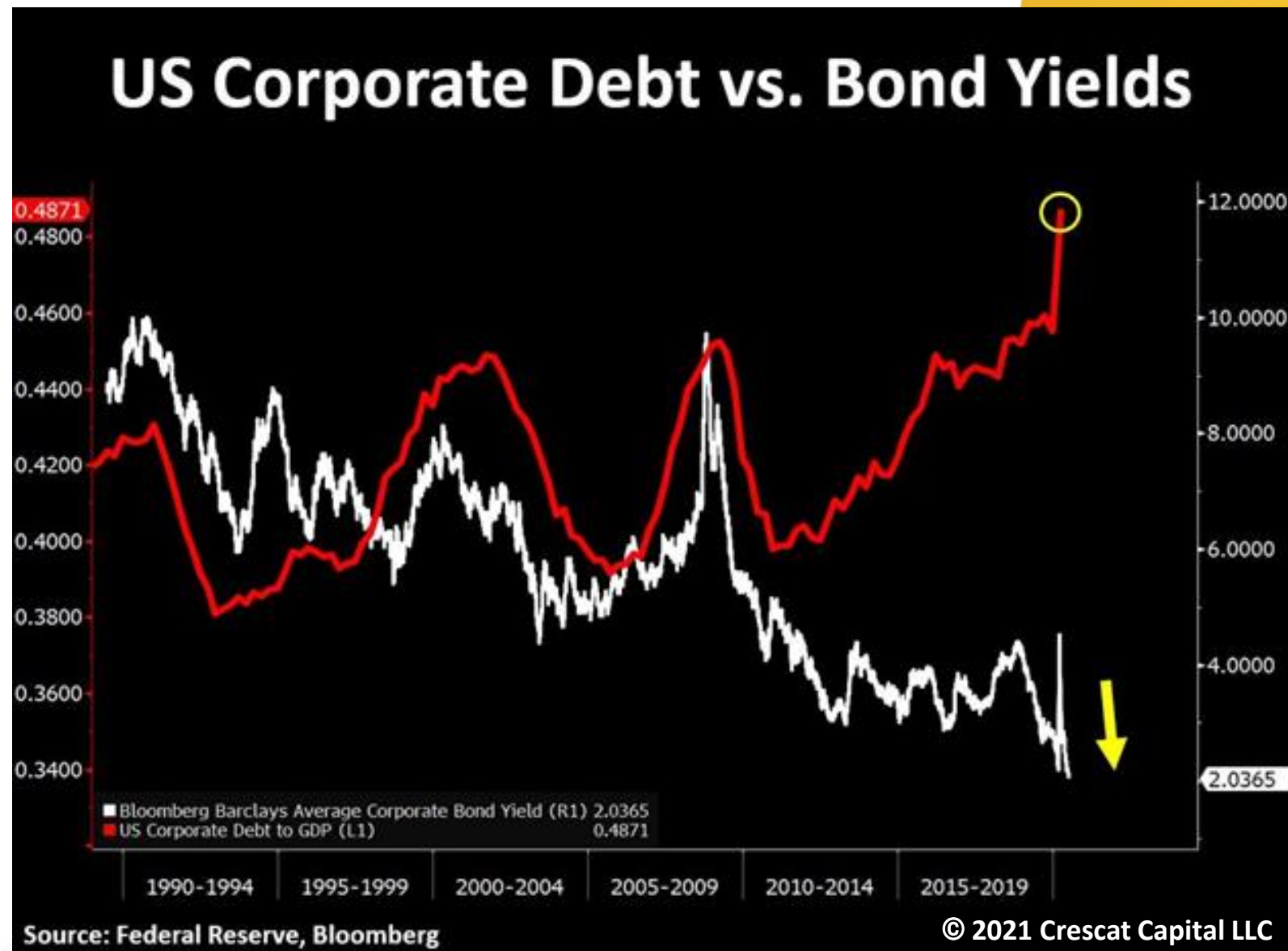


Source: Bloomberg

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Consumer confidence at its lowest level in years while equities push for new highs.

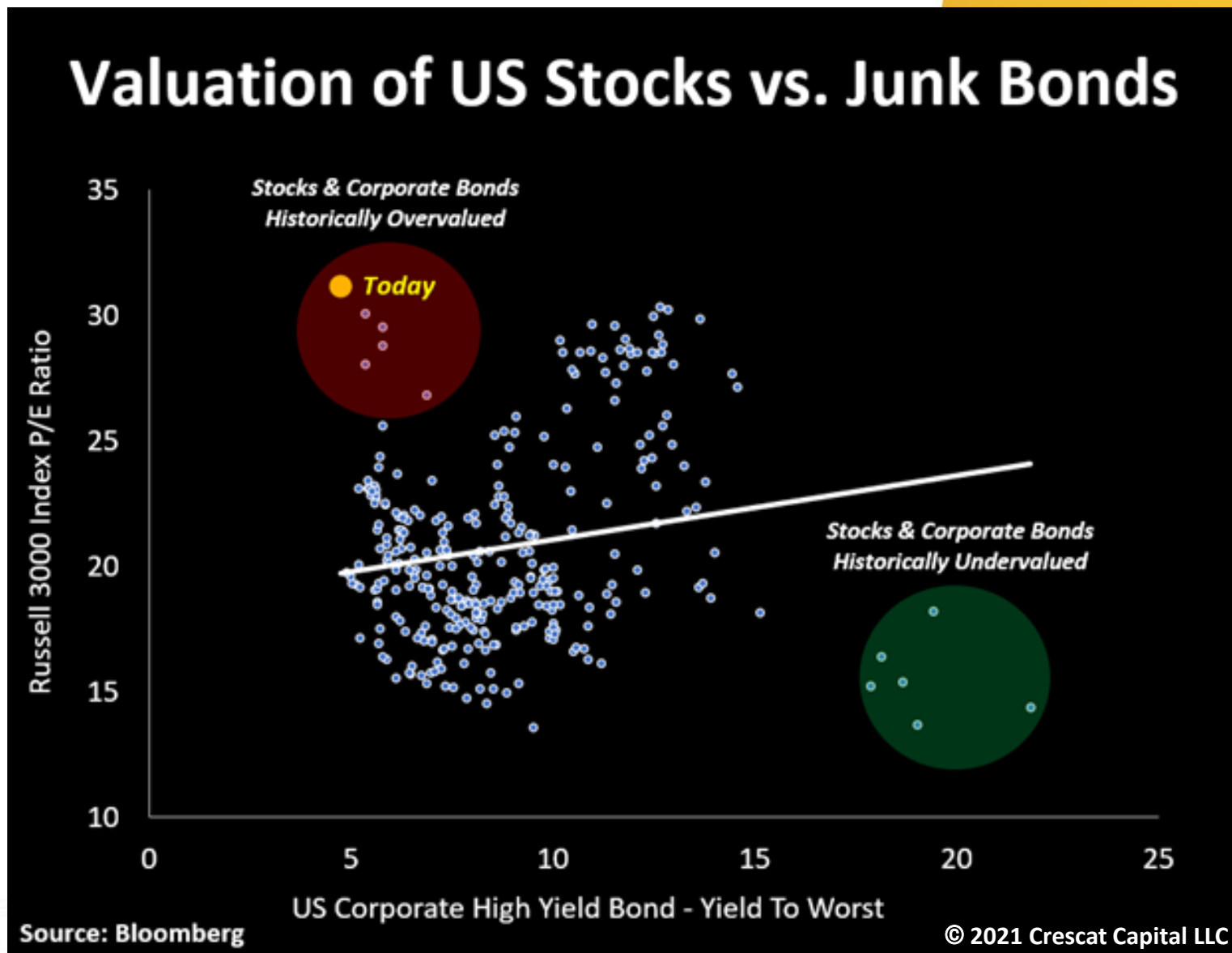
The US corporate bond market has become one of the most central bank dependent parts of financial markets today.



Corporate bonds
now yield less than
inflation expectation
for the first time in
history.



For the first time in history, junk bonds and stocks are record overvalued in tandem.



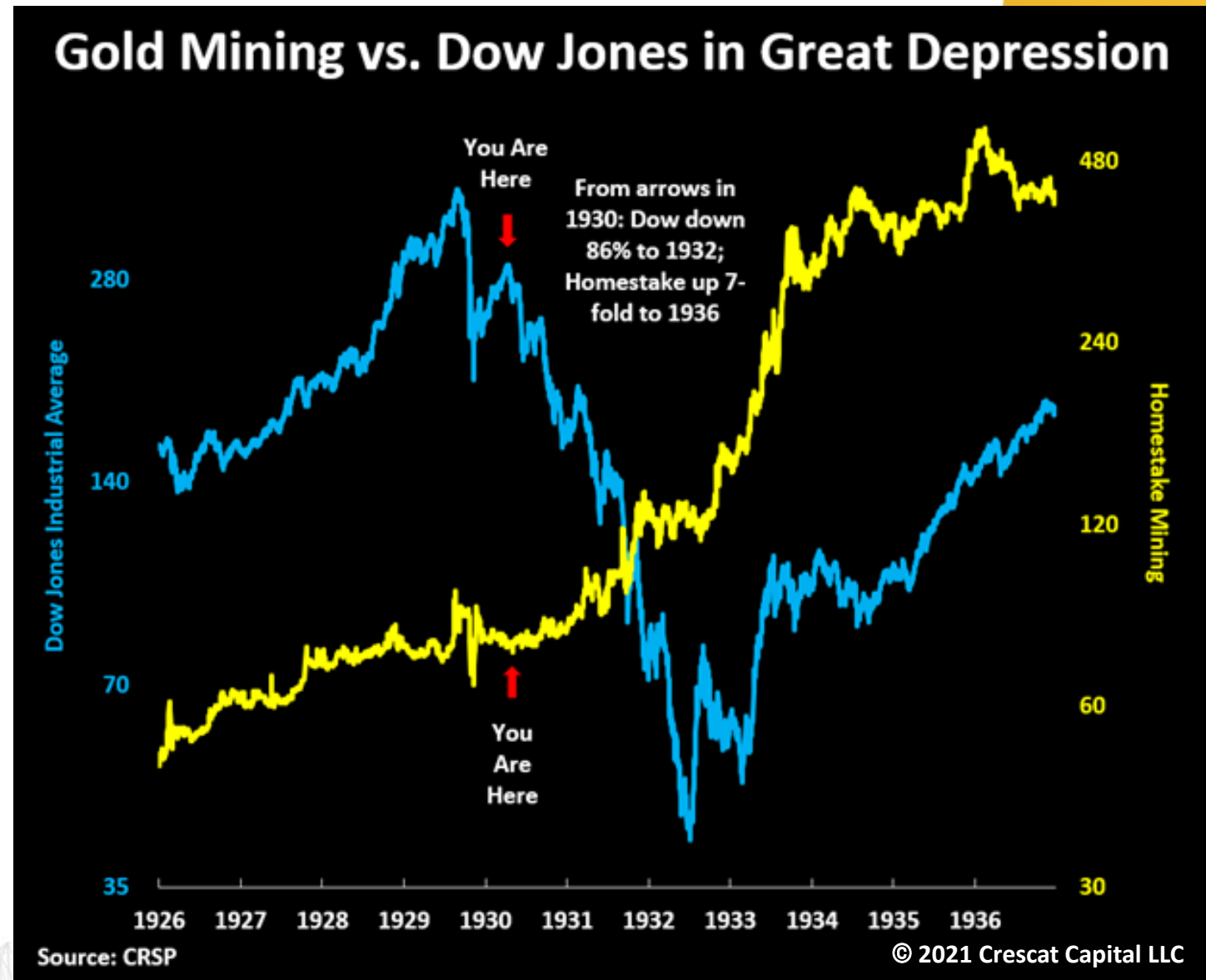
Russell 1000 Growth vs. Value

Relative Price to Book

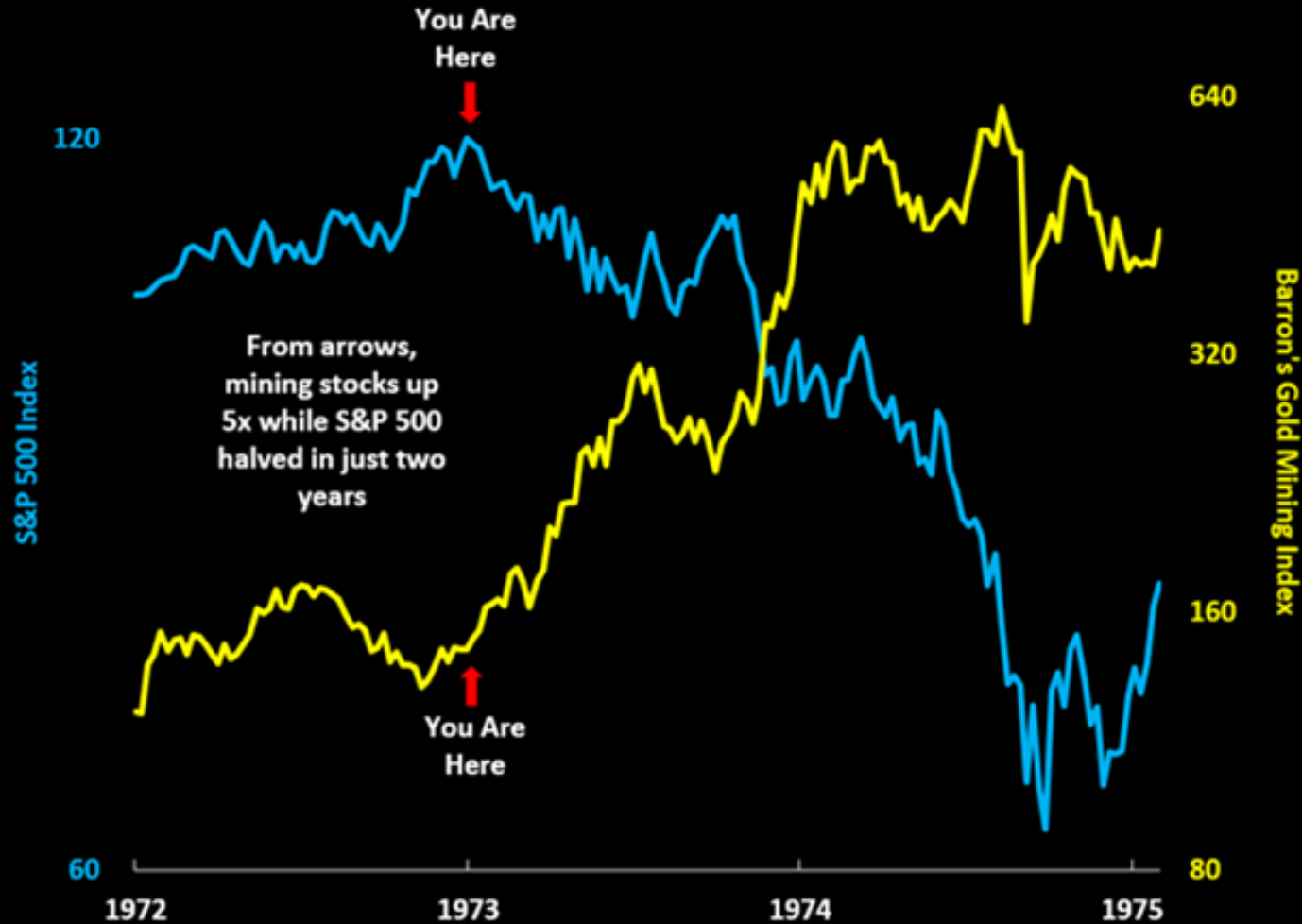


Notice how large cap growth stock performance relative to their value counterparts appears to have just rolled over and likely has much further downside from here.

Gold mining companies acted in counter cyclical fashion to create wealth during the credit deflationary bust of the Great Depression.



Gold Miners vs. S&P 500 in 1973-74



Source: Gold Charts R Us

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The Barron's Gold Mining Index increased 5-fold during the 1973-74 Stagflationary Recession.



Gold Miners vs. NASDAQ in Tech Bust



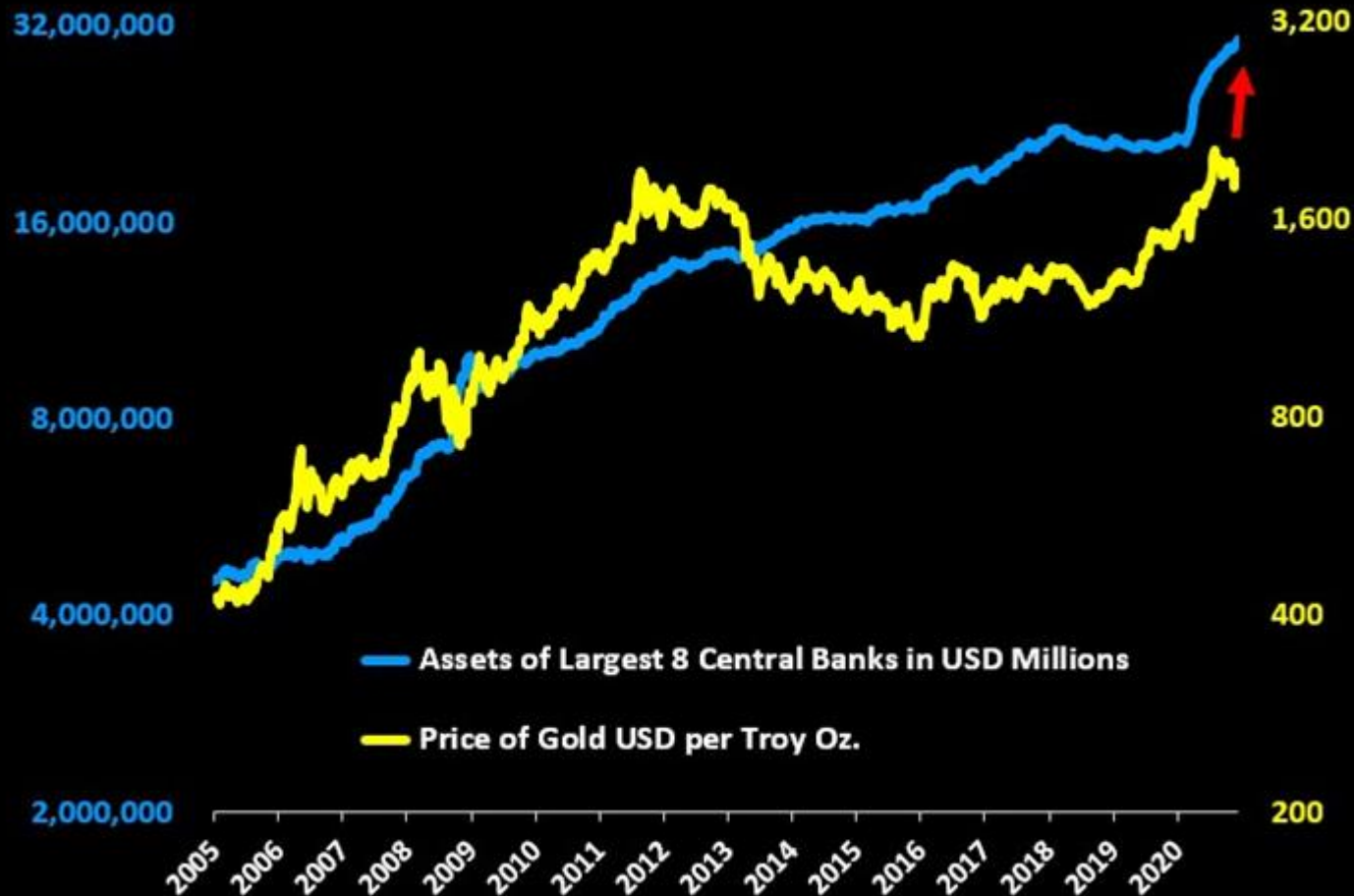
Source: Bloomberg

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The Philadelphia Stock Exchange Gold and Silver Index increased five-fold from 2000 to 2008 while the Nasdaq composite declined 78% from 2000 to 2002.



Global Central Bank Assets vs. Gold



Source: Bloomberg, Central Banks

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Money printing only supports financial asset bubbles for so long. Ultimately, QE drives flows out of overvalued stocks and credit and into undervalued precious metals.



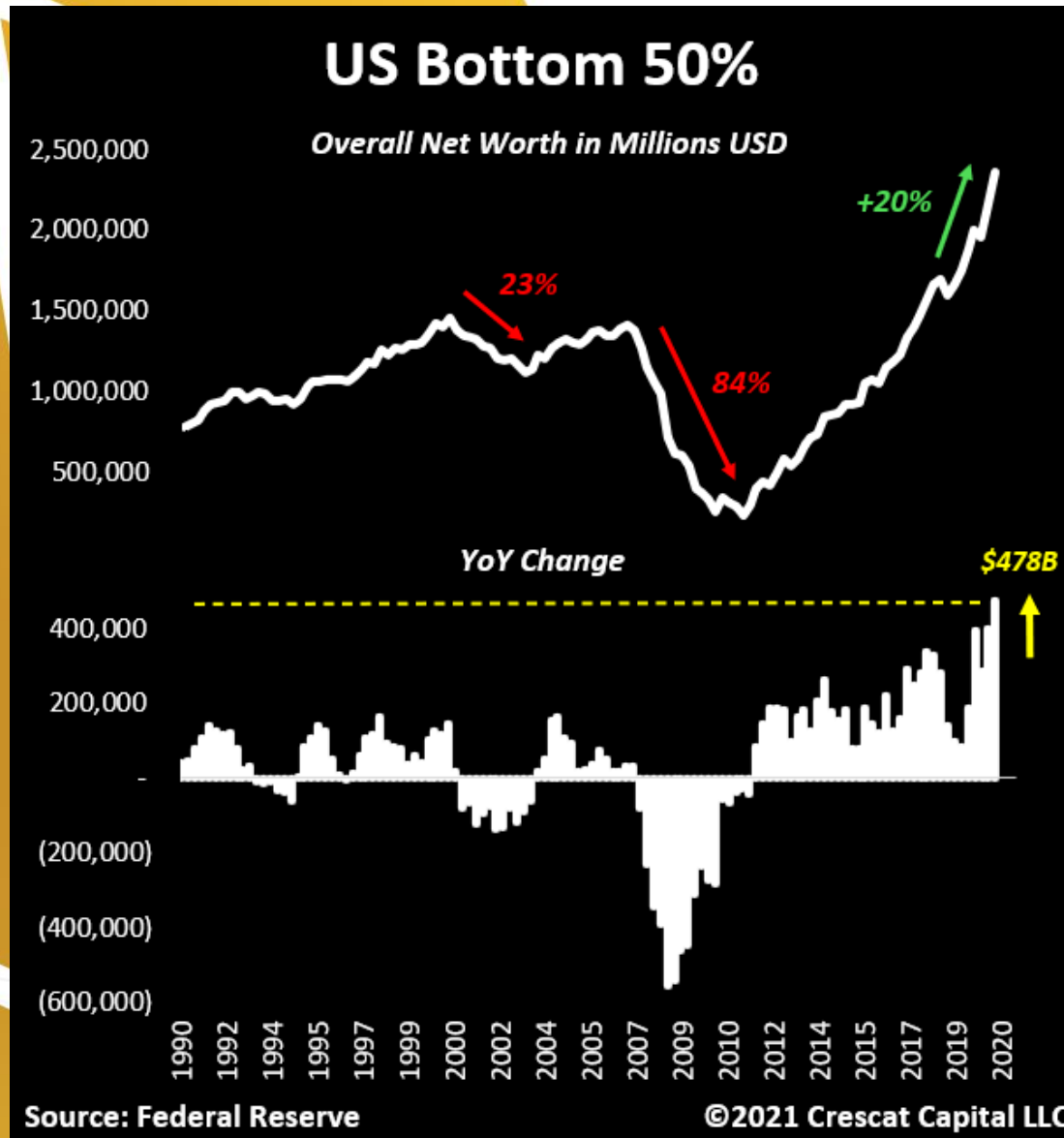
Gold vs. Real Rates



Real rates tend to lead the way for precious metals, particularly gold.

Long-term inflation expectations in the University of Michigan survey just jumped above 3%, indicating even lower real rates than implied in the TIPS market.





The lower classes just increased their wealth to the highest annual amount in the history of the data.

Commodities Adjusted For Inflation

When adjusted for inflation, commodities are just slightly above the worst levels of the Great Recession.



US Private Investments in Mining Exploration

Fixed Investments in Mining Exploration Shafts & Wells in USD Billions

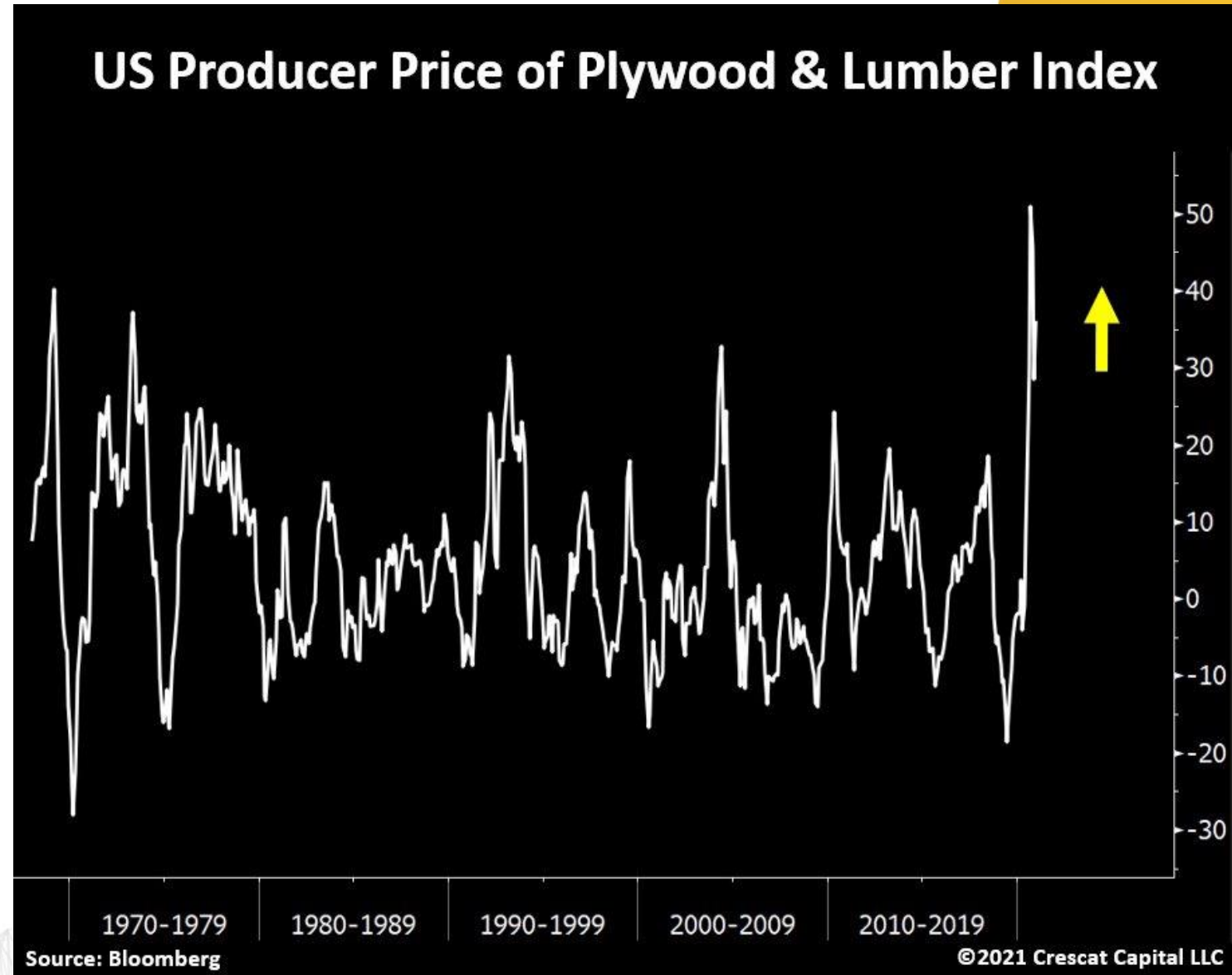


Source: Bureau of Economic Analysis

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Investments in mining exploration are at a 62-year low! We strongly believe that there will be major supply/demand imbalances in the next years as part of the current macro environment.

Cost-push inflationary forces will likely come from steep rises in commodity prices. This trend has already started. Lumber and plywood prices are not only near record levels, but also rising at their fastest pace since 1974.



Commodities vs. Inflation Expectation



Commodity prices have largely impacted inflation expectations over time, suggesting that 10-year breakeven rates are ripe to move significantly higher.

Commodities vs. Emerging Markets



This divergence puts into perspective how only one of those two assets looks to be an asymmetric opportunity for the years ahead – commodities.

Looking back in history, periods of extreme monetary policies are followed by strong rallies in silver.

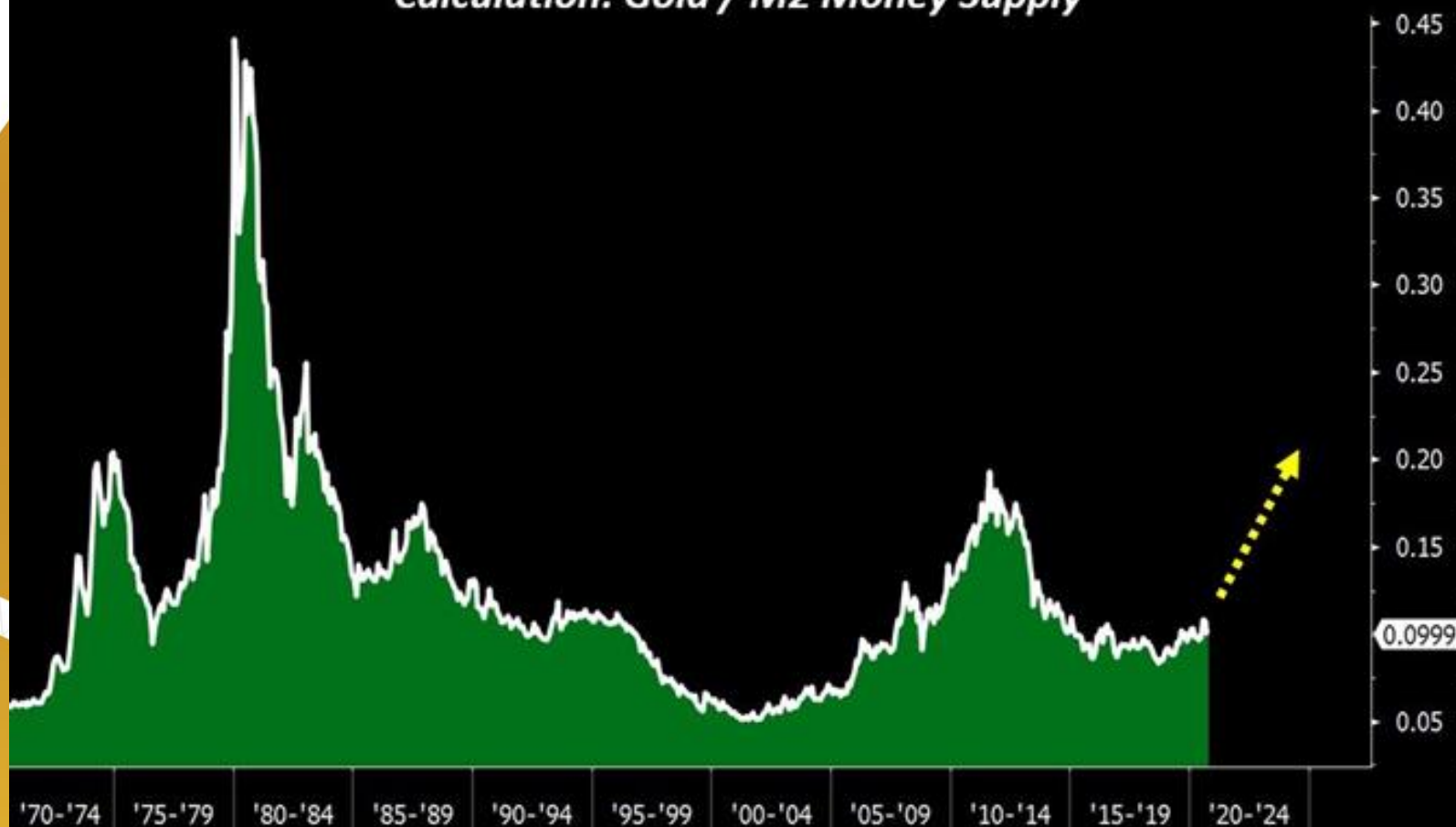


Silver remains historically undervalued relative to money supply.



Gold vs. Money Supply

Calculation: Gold / M2 Money Supply



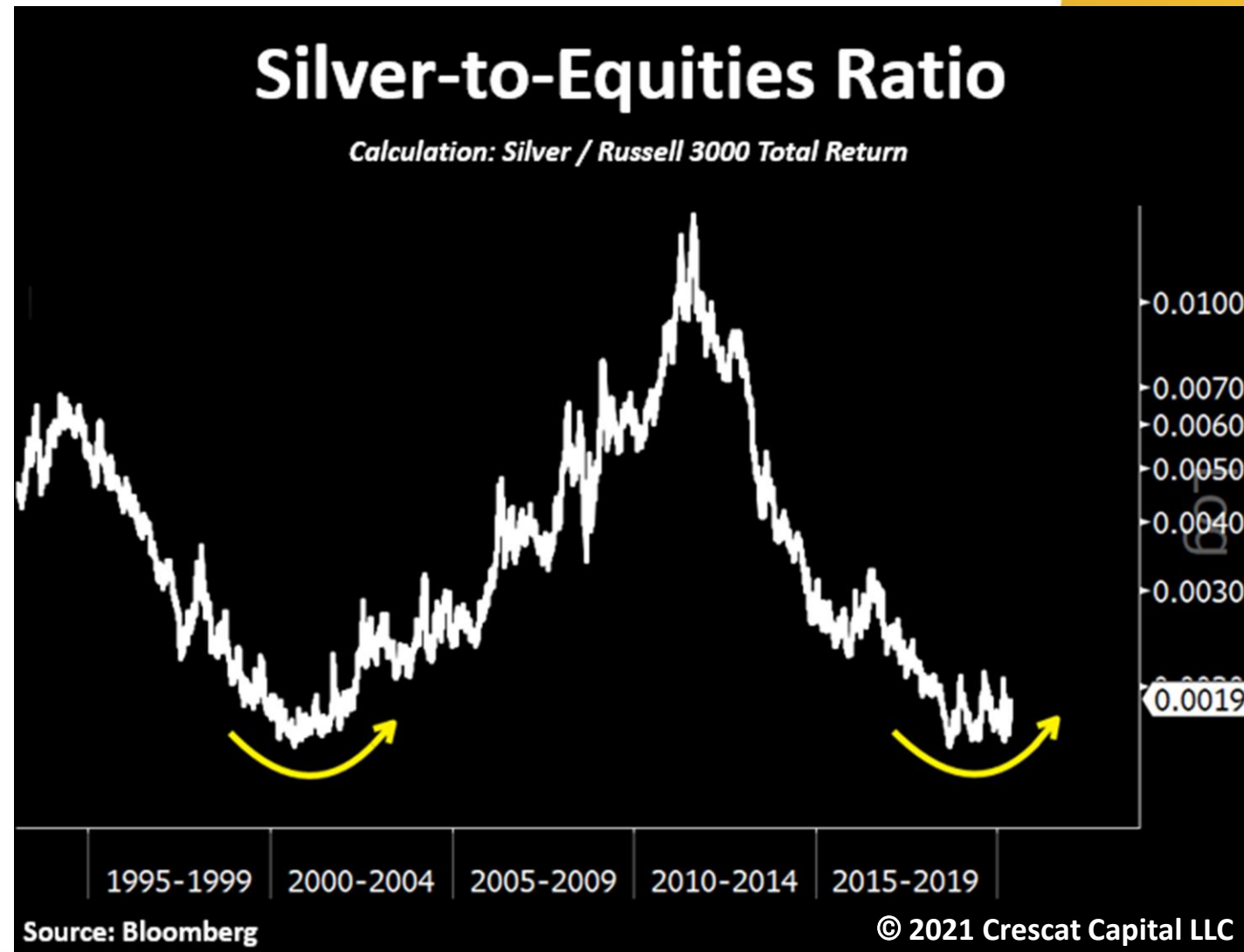
Source: Bloomberg

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Price of gold relative to M2 money supply still looks historically attractive with significant upside likely ahead.

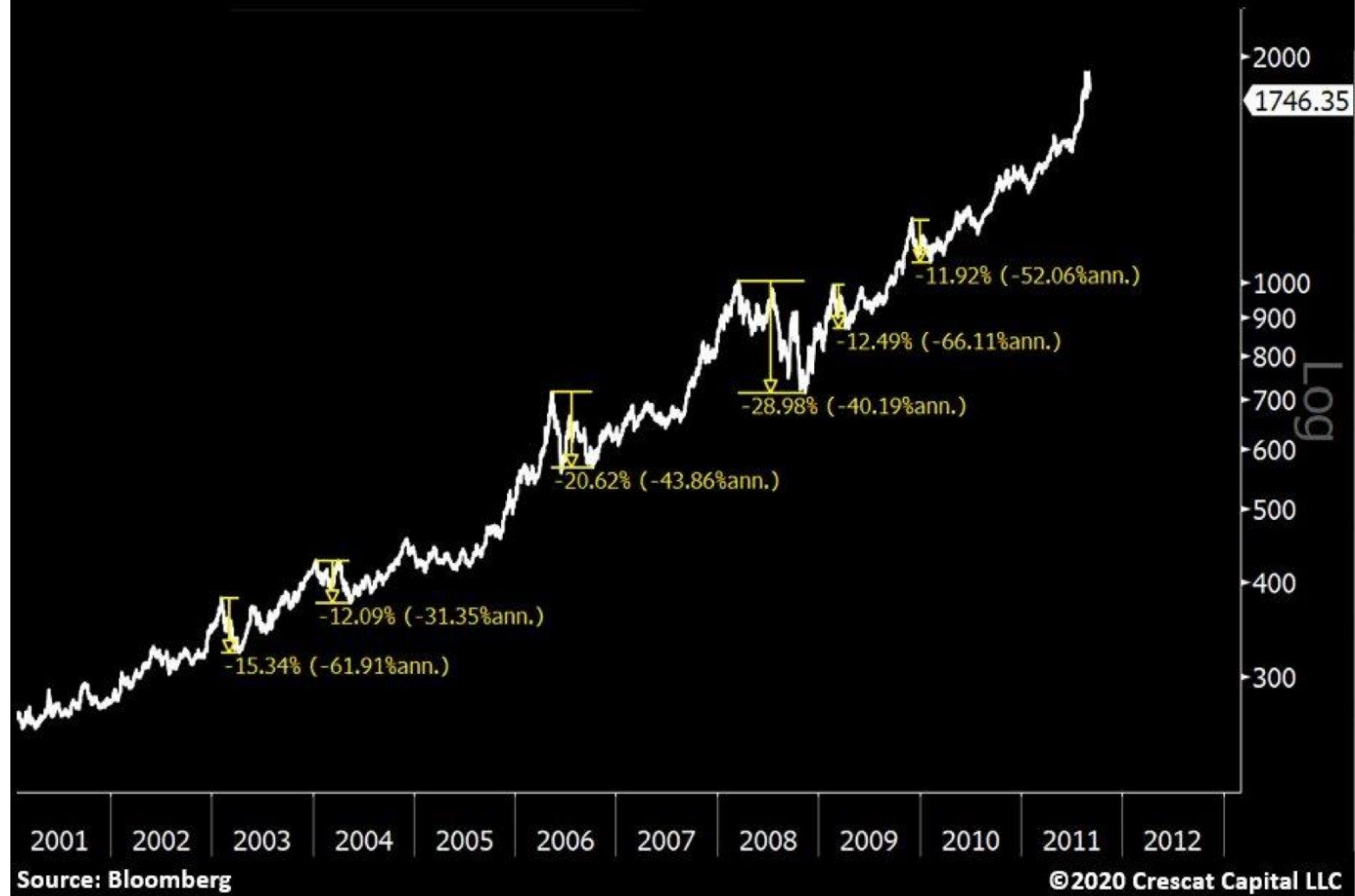


The silver-to-equities ratio is a clean looking double bottom, a battle of two extremes.



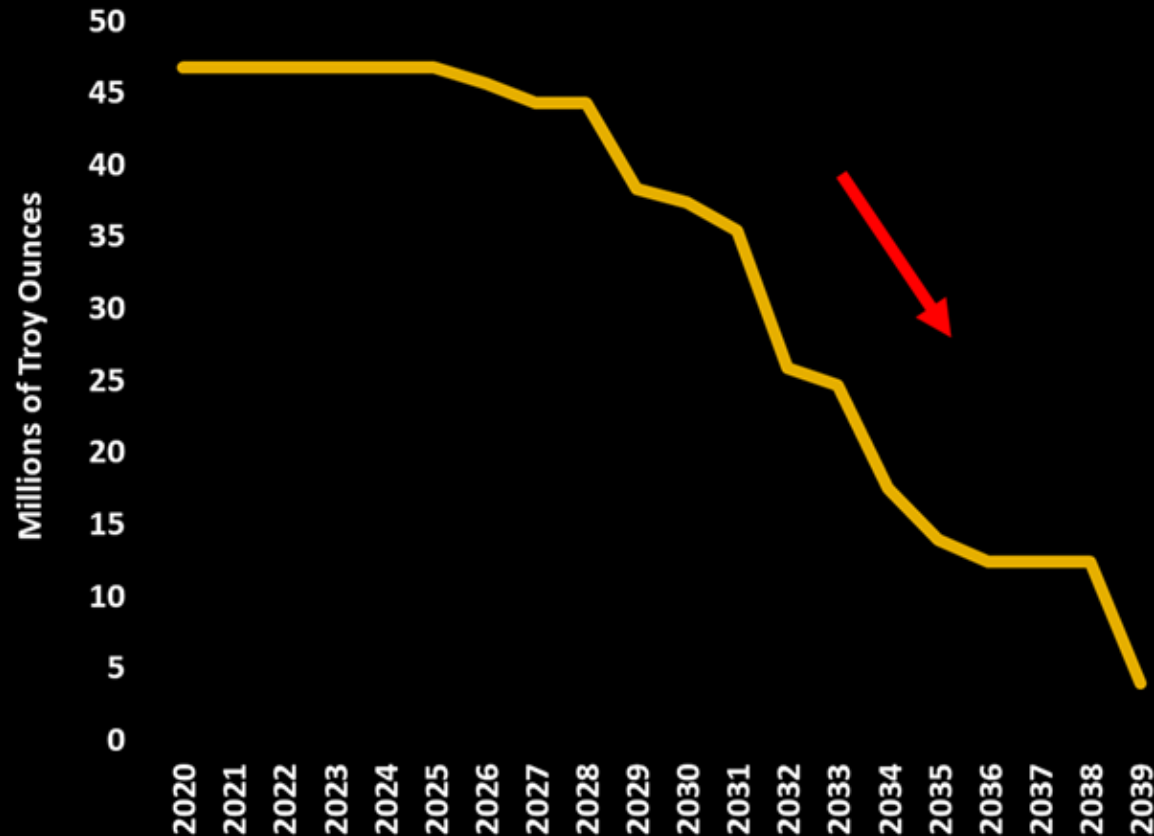
Gold's Last Bull Market

Gold had at least six large corrections in its last bull market.



Gold Supply Cliff

Top 20 Global Gold Producers
Projected Production from Proven and Probable Reserves

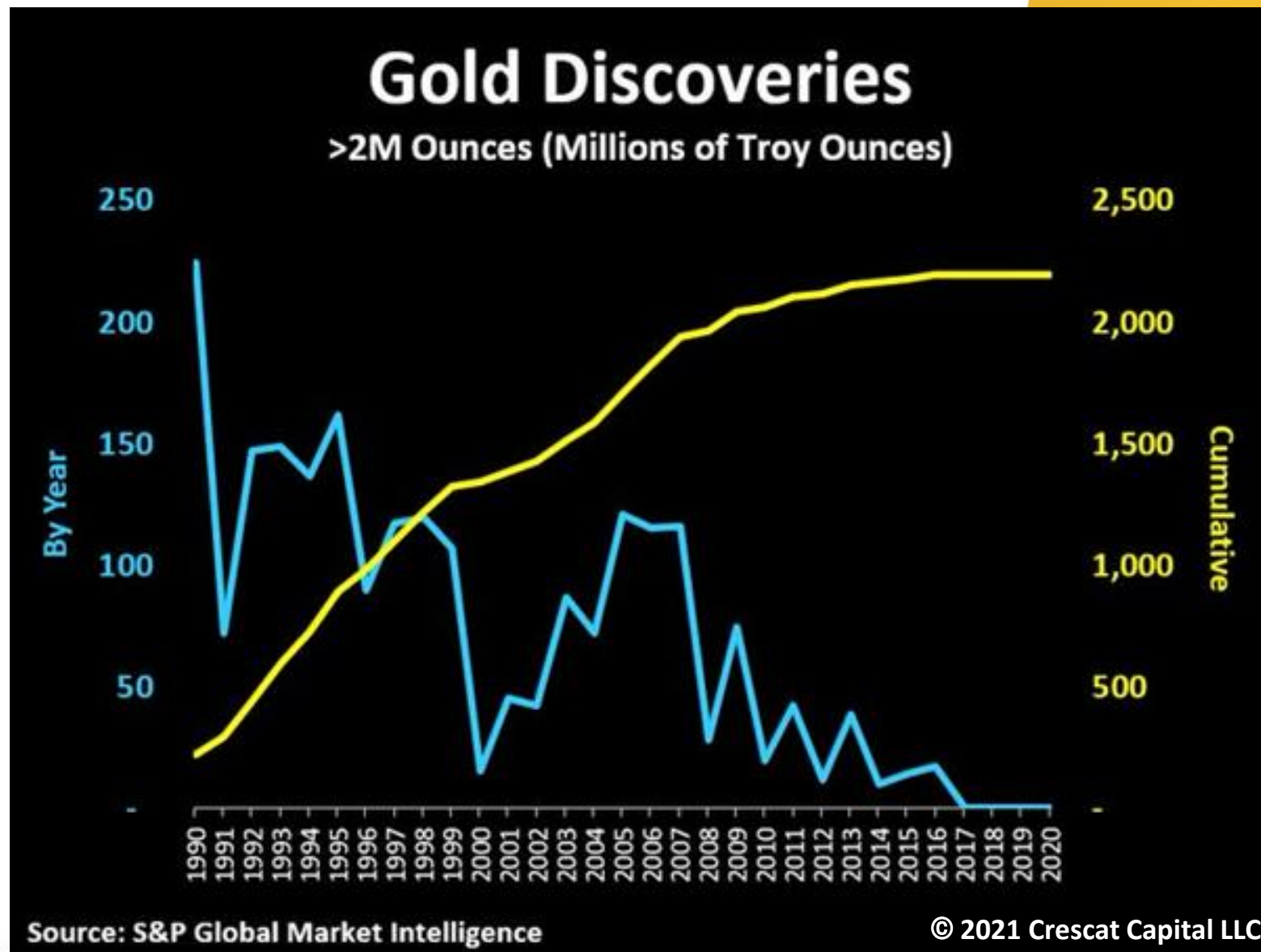


Source: S&P Global Market Intelligence

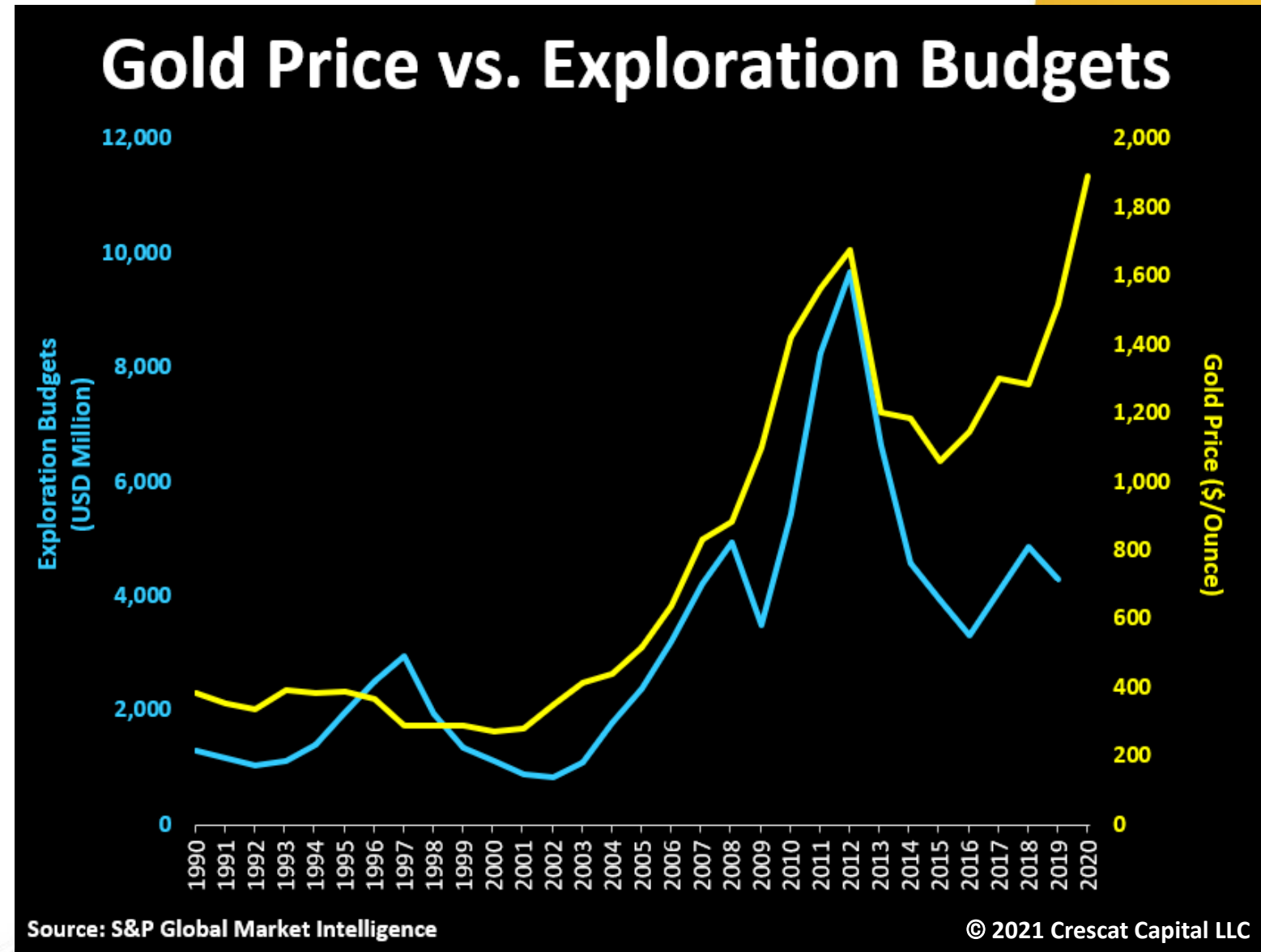
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Majors have underinvested in exploration and must replace their reserves. Supply shortfall a macro positive for gold prices. Extremely bullish for junior explorers.

There were zero gold discoveries above 2 million ounces in the last 3 years. Precious metals companies are reluctant to spend capital even though gold prices have reached all-time highs.



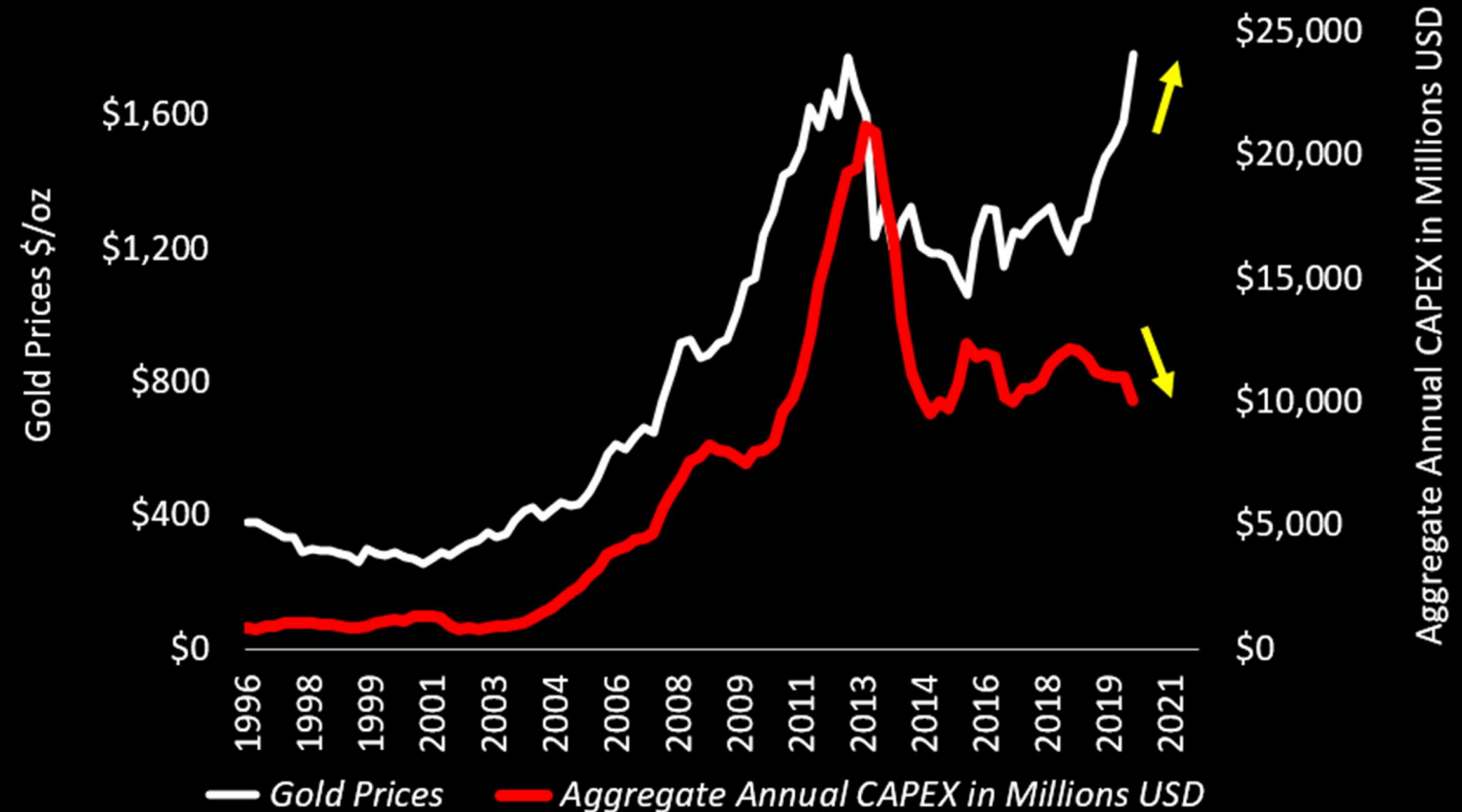
Exploration budgets and gold prices have been diverging for over 8 years.



Miners have been reluctant to spend capital even though gold prices have been moving higher. Thus, supply is constrained, an incredibly bullish fundamental backdrop for gold and silver.

Gold vs. Miners' CAPEX

Top 50 Miners by Market Cap in the Canadian & US Stock Exchanges

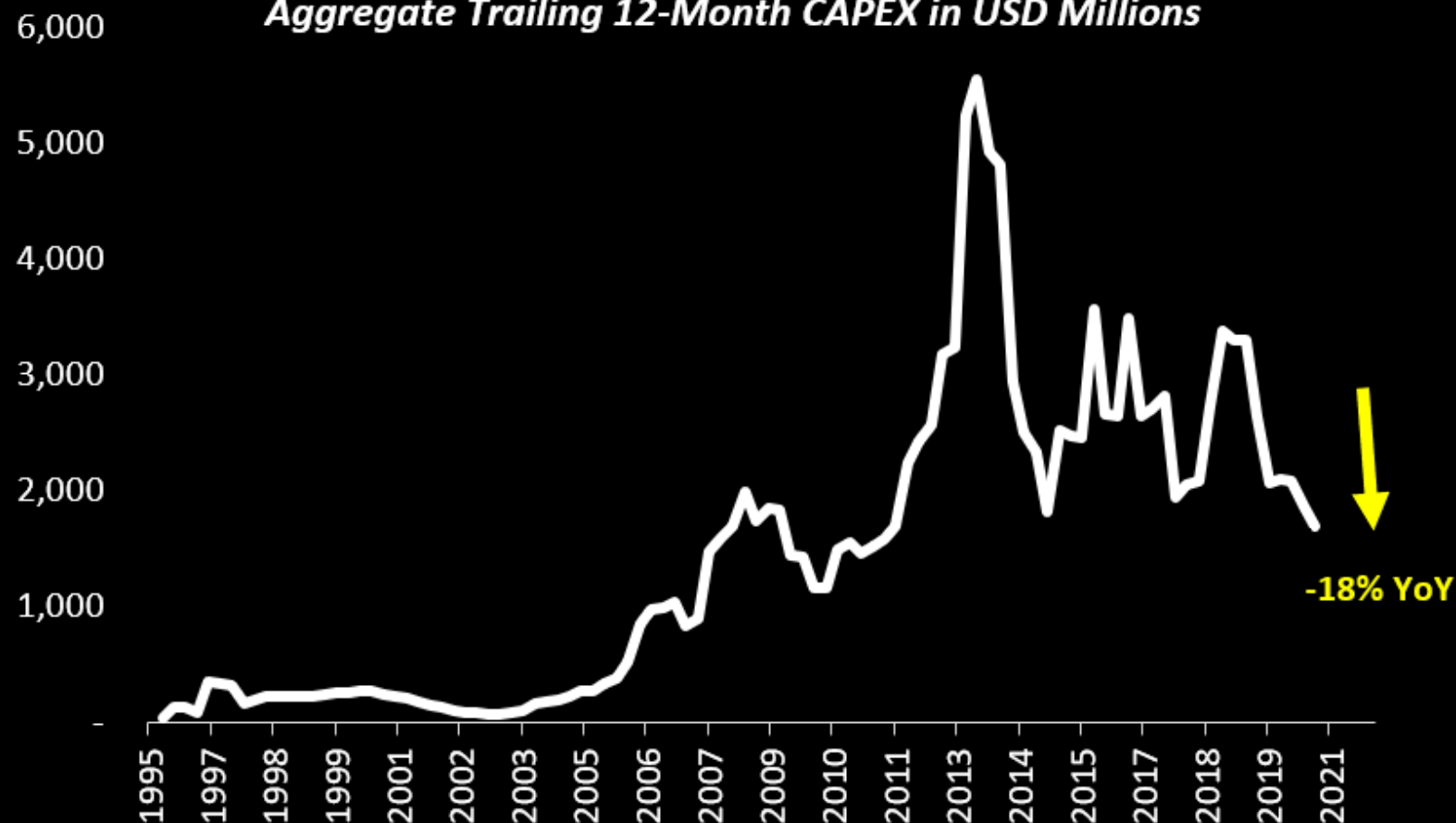


Source: Bloomberg

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Silver Miners CAPEX Cycle

Aggregate Trailing 12-Month CAPEX in USD Millions



Source: Bloomberg

Universe: All Members of the SII ETF

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Silver miners CAPEX is at a decade low while, in the last 12 months, \$25T of newly issued debt worldwide, \$9T of monetary stimulus by central banks, and \$18T of negative yielding bonds.



Gold Miners' Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value

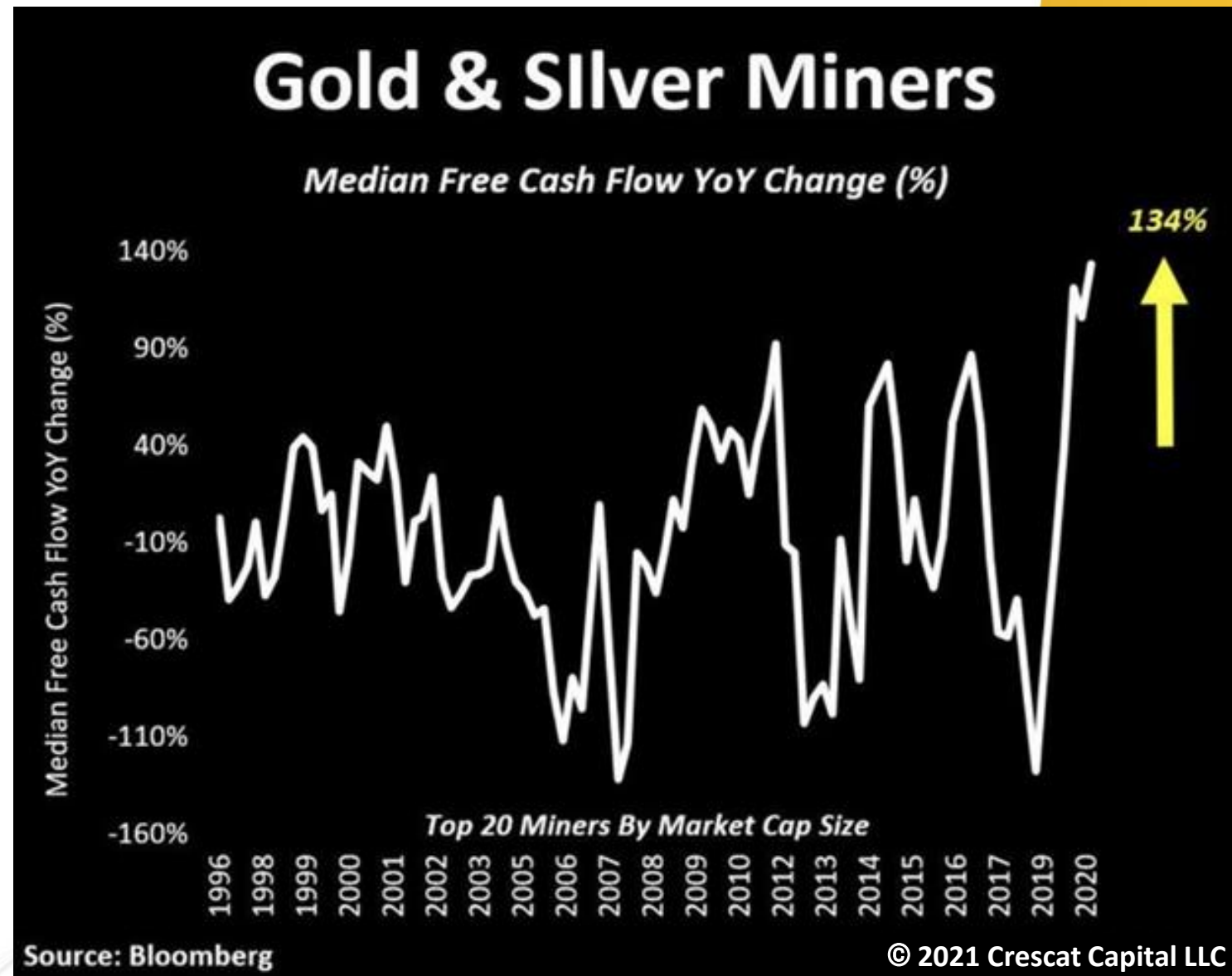


Source: Bloomberg

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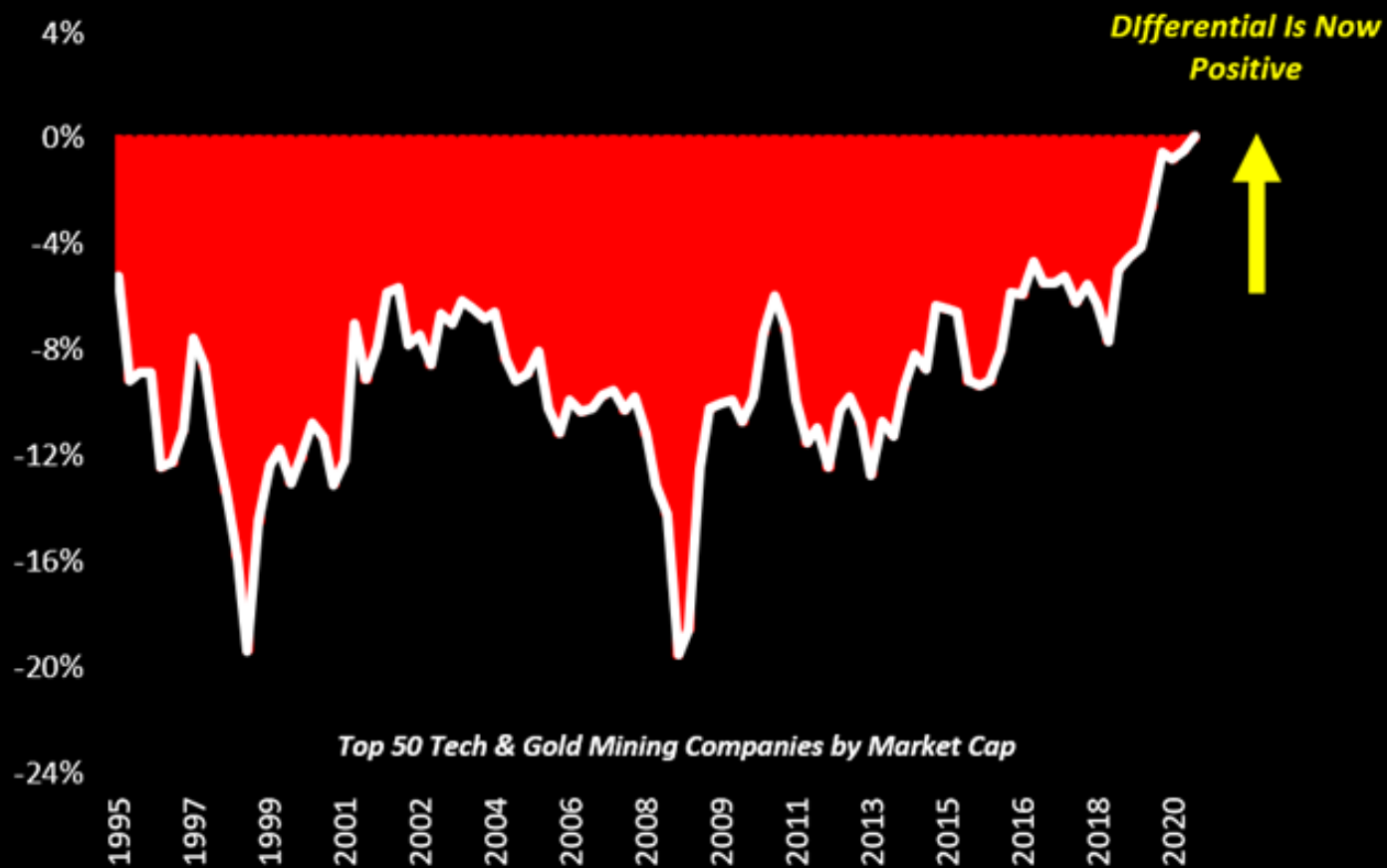
Gold and silver mining companies are the real beneficiaries of today's macro environment with strong balance sheets, high growth, and still incredible undervaluation.

Free cash flow among the top 20 miners have grown by 134% year over year in their latest report.



Gold Miners vs. Tech Stocks Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value Differential

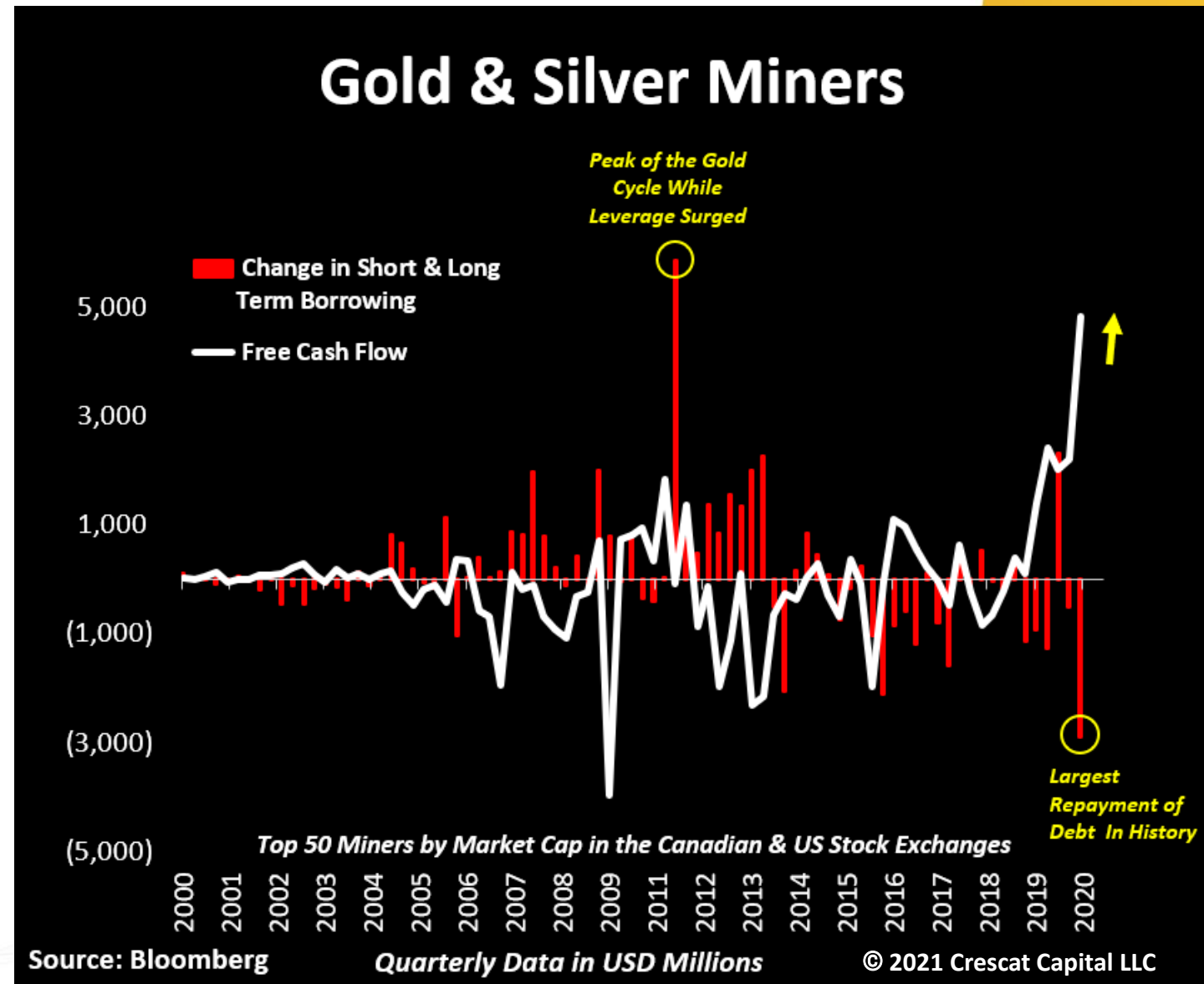


Source: Bloomberg

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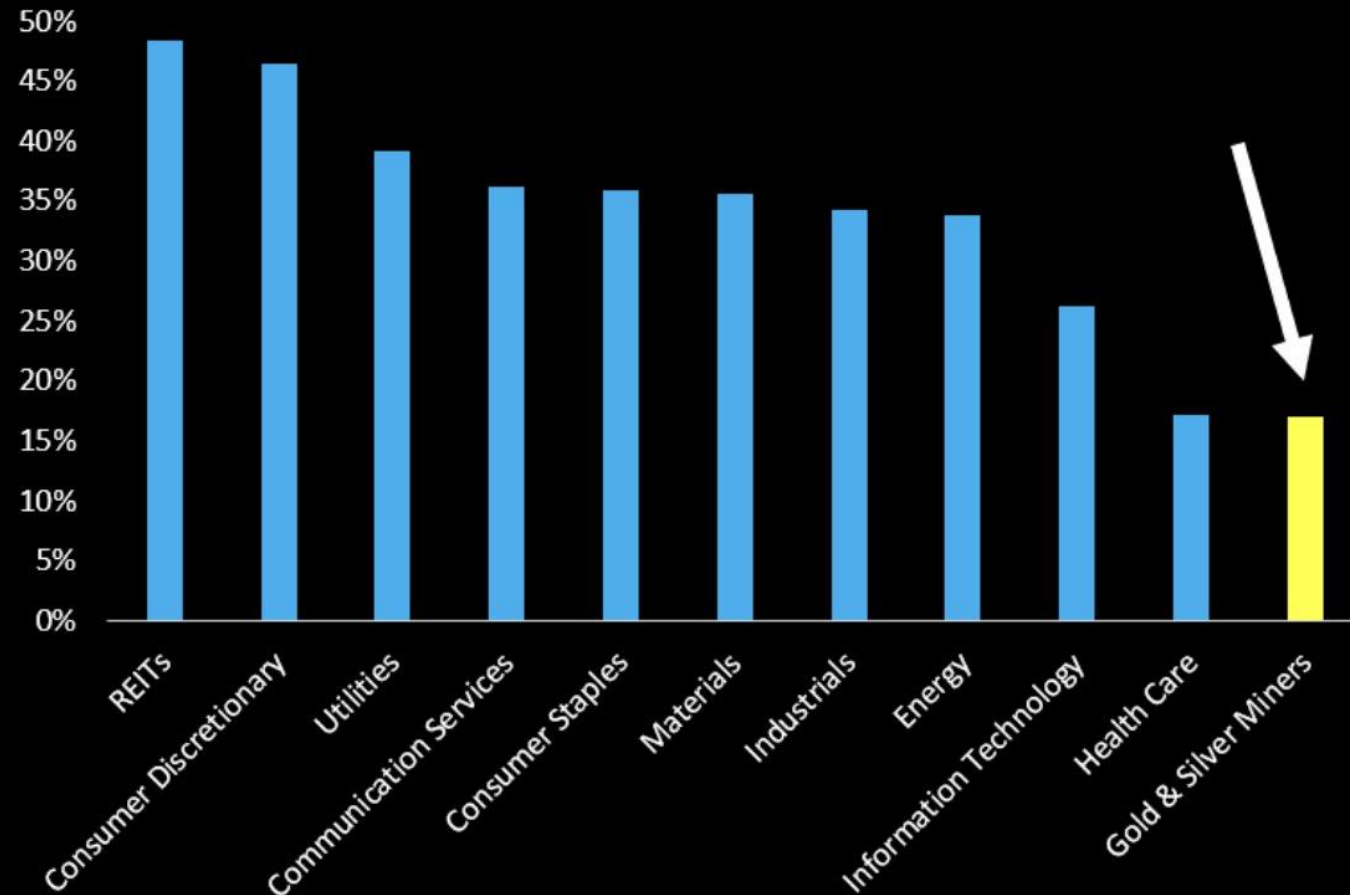
This is the first time in the last 30 years that miners trade at a higher free cash flow yield than tech companies.

Gold & silver stocks just did their largest repayment of debt in history. They have never generated this much FCF in a quarter.



Median Total Debt to Assets Ratio

Russell 3000 Index & Top 50 Precious Metals Miners By Market Cap

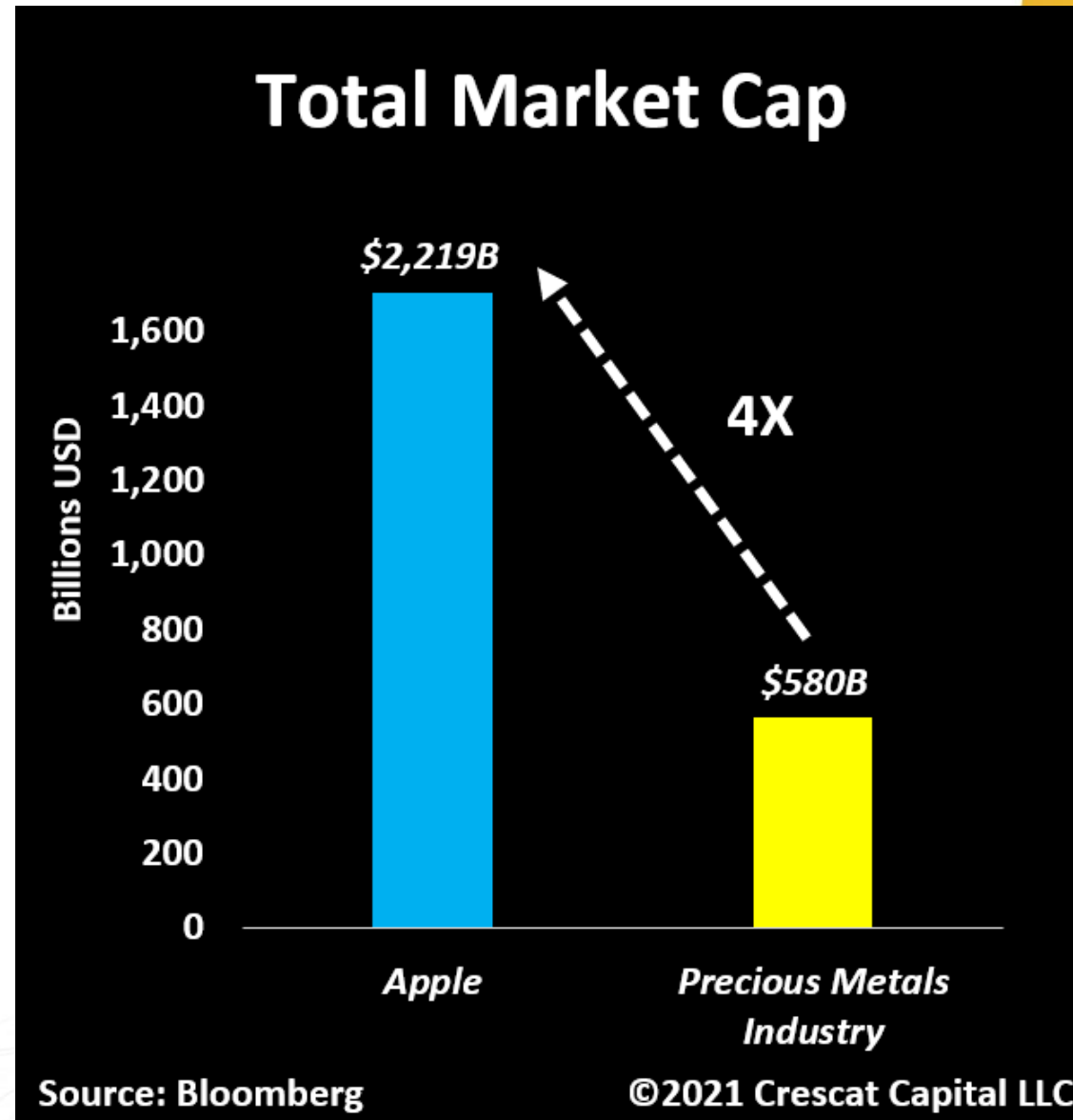


Source: Bloomberg

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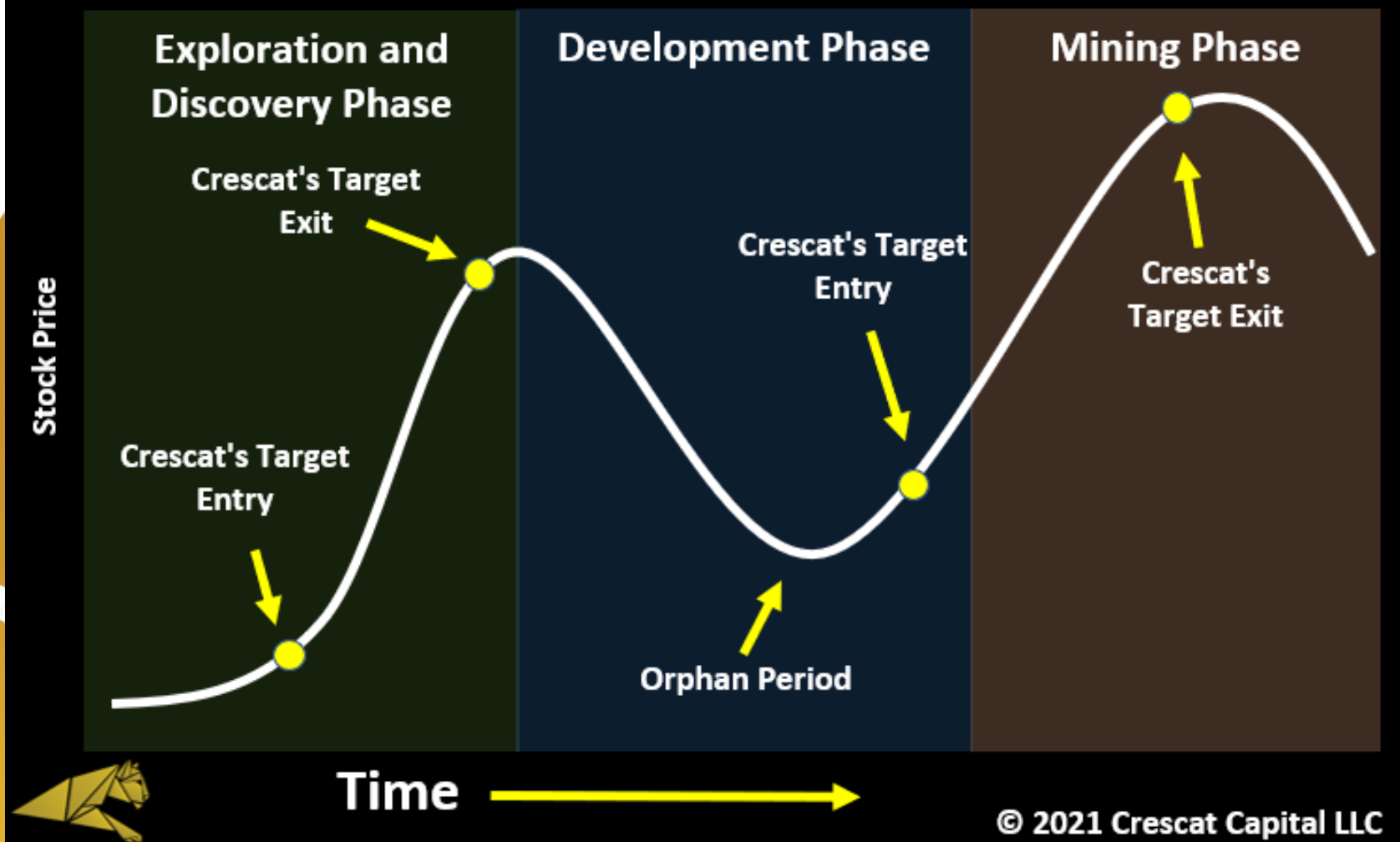
If precious metals stocks were a sector, they would have the cleanest balance sheets of them all.

The entire precious metals industry is dirt cheap. Apple's market cap is 4 times the size of the whole precious metals industry.



Life Cycle of a Gold Mining Company

The Lassonde Curve



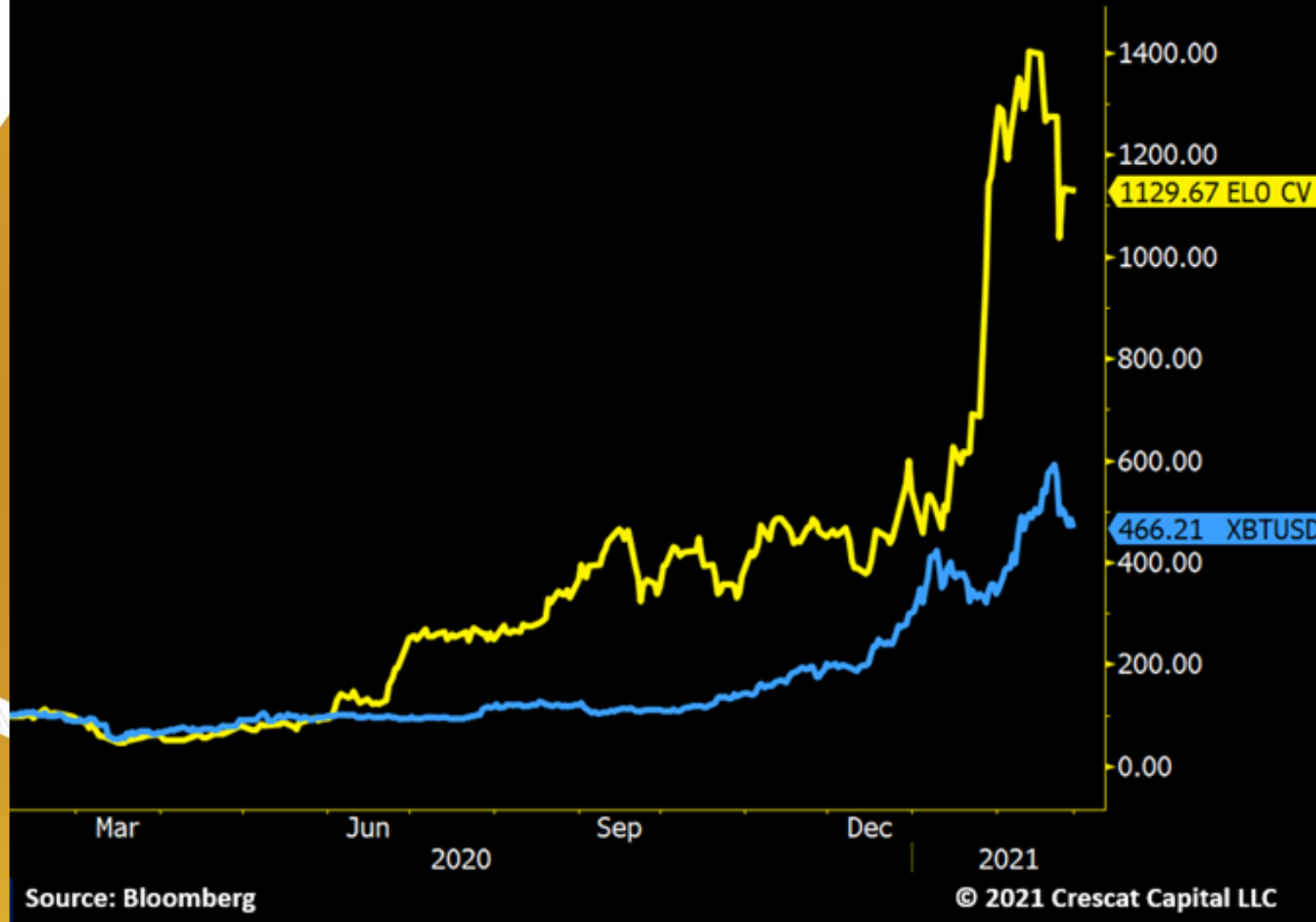
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Crescat's Lassonde Curve displays our positioning in the precious metals mining industry. We seek to exploit mispriced opportunities on the exploration and discovery stage.

Eskay Mining, drilling for real gold and silver, outperformed bitcoin in 2020. Crescat led 3 rounds of funding for Eskay, \$ESK.CV.



Eloro vs. Bitcoin 1-Year (Base 100)



Eloro Resources, another Crescat holding, also beat out Bitcoin in 2020. \$ELO.V



Tin (Sn) \$29,000 per Tonne LME Spot



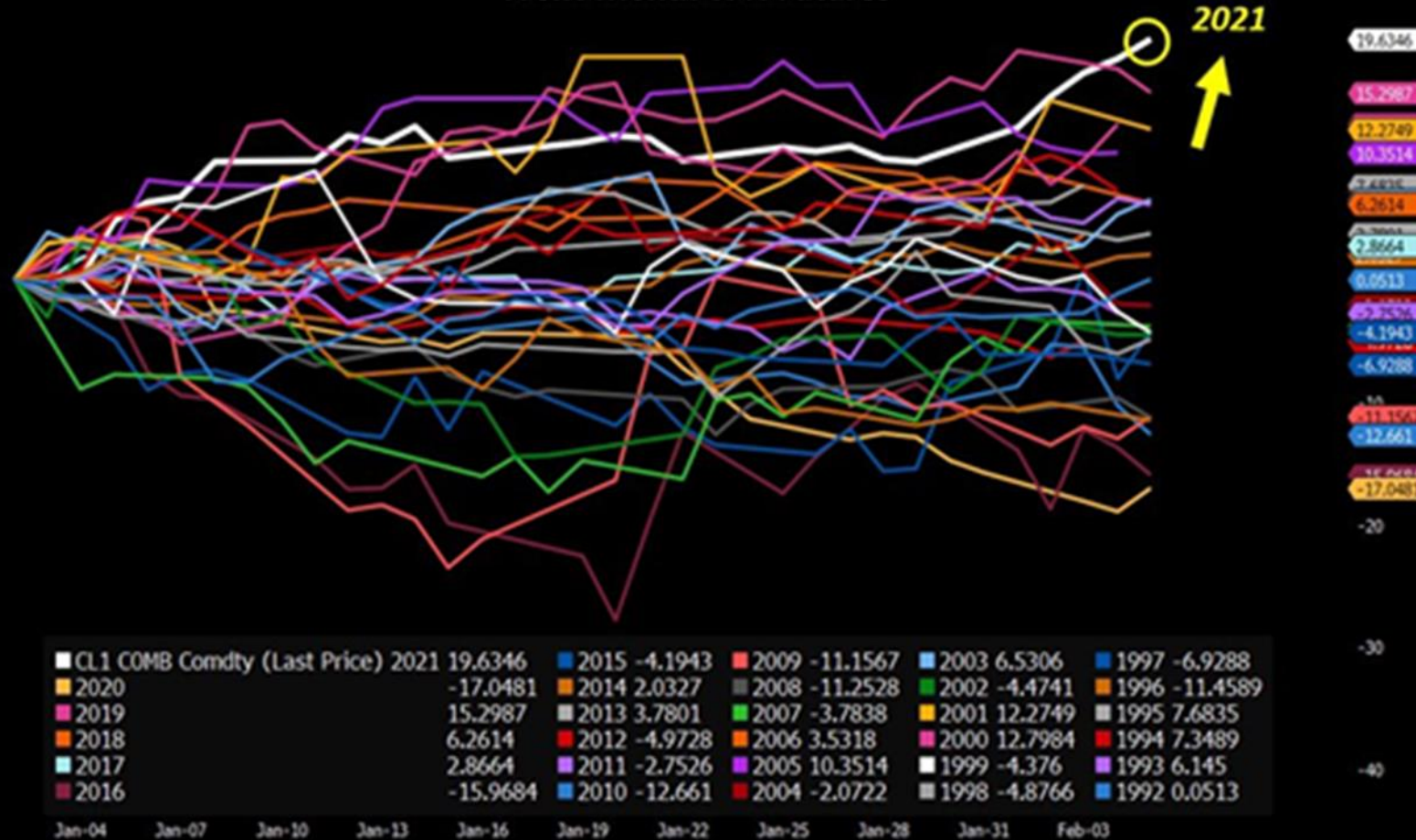
Source: Bloomberg

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Eloro sits on top of a deeper tin-silver-gold porphyry.

Oil Annual Performance

Front-Month WTI Futures



Source: Bloomberg

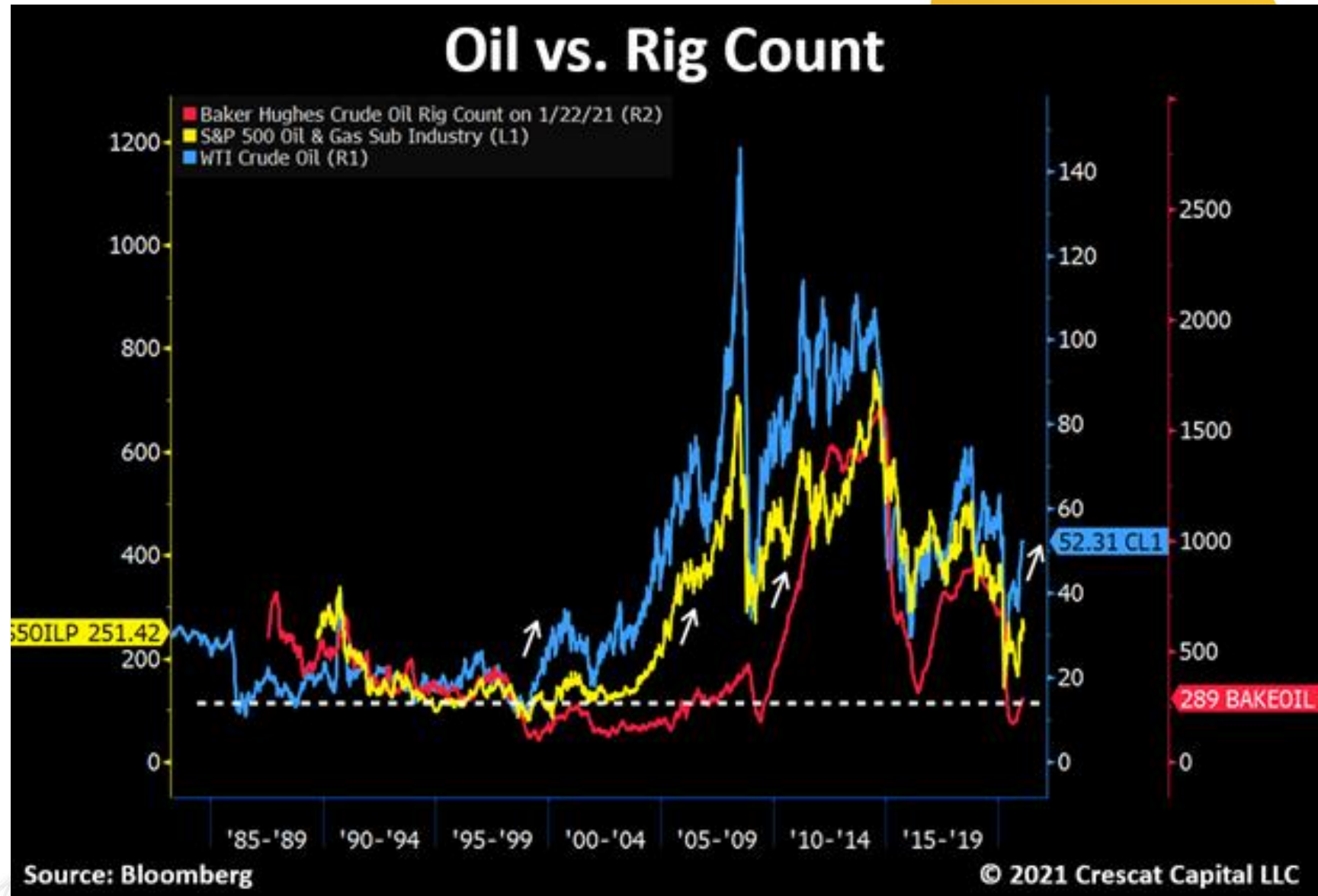
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We are seeing significant moves in the oil market, WTI is having its best year-to-date performance in 30 years.



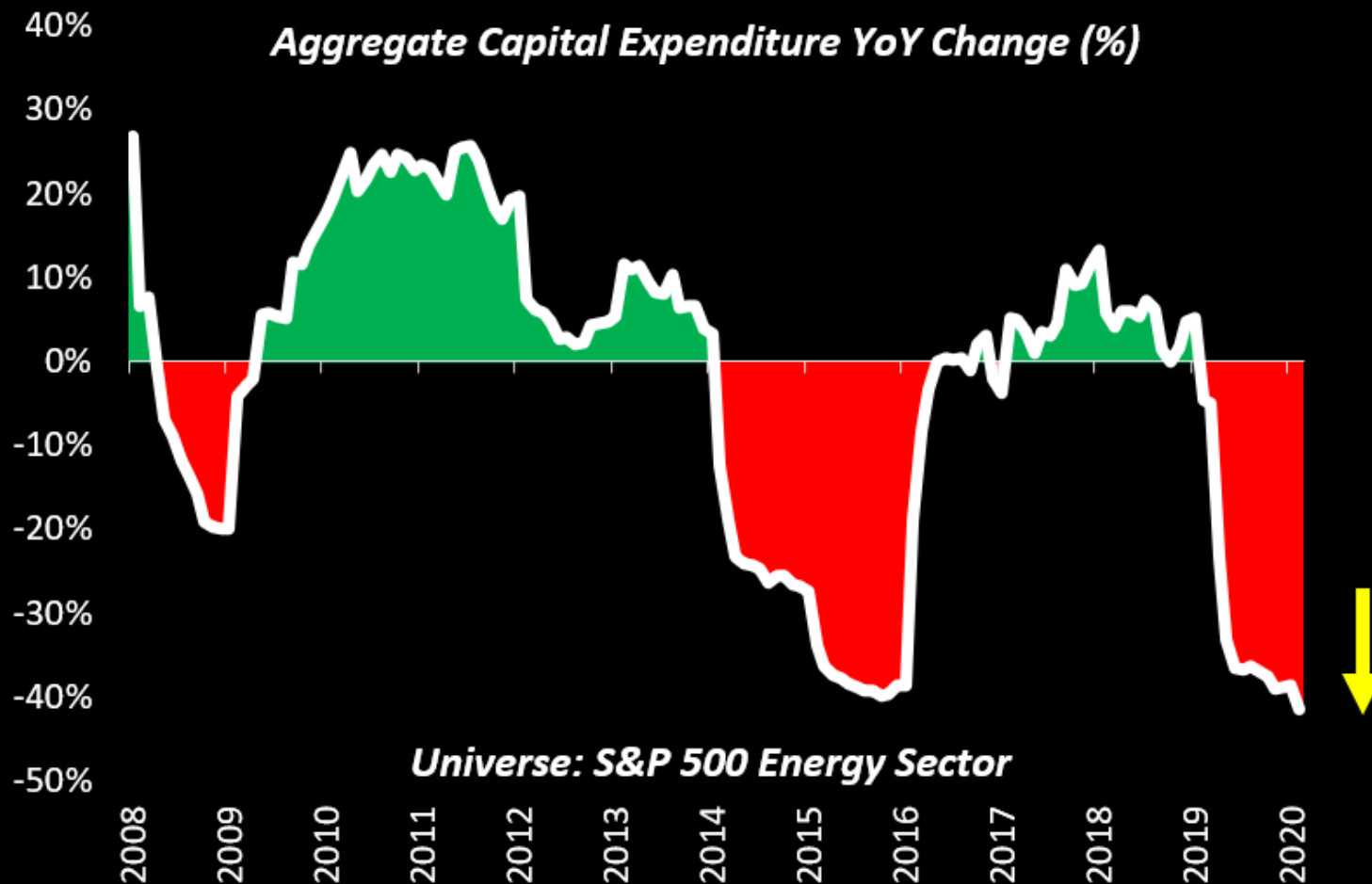
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There could be a supply shortage in oil setting up for the next several years after the most drastic capex cuts in infrastructure and exploration we have seen in the history of this industry.



Energy Sector Capex Cycle

Aggregate Capital Expenditure YoY Change (%)



Source: Bloomberg

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The same way the precious metals mining industry is reluctant to spend capital, oil companies are perhaps even more so. CAPEX for the S&P 500 energy sector is now falling at its steepest level in the last 12 years.



US Oil Production

52-Week Average YoY Change (%)



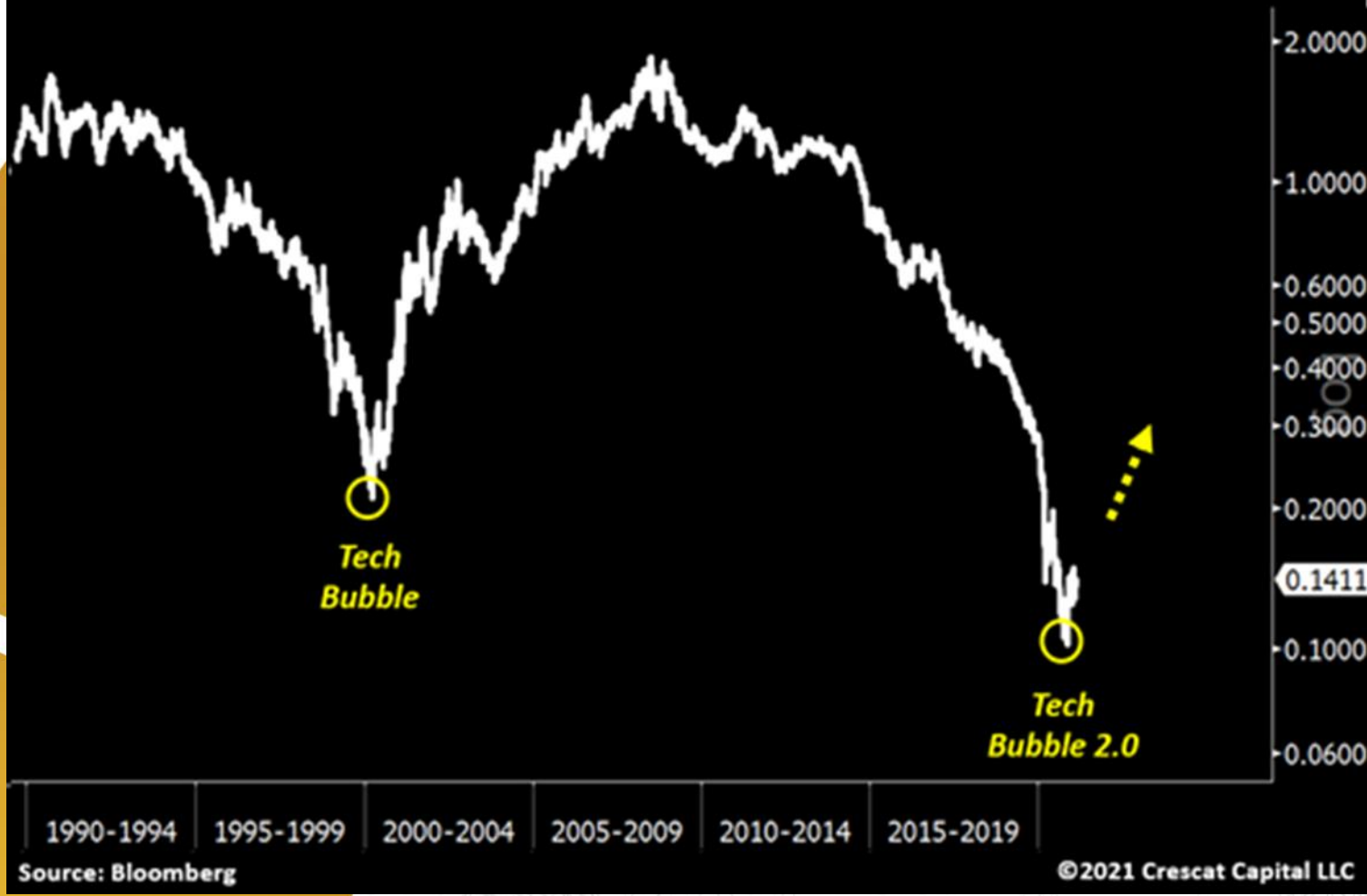
Source: US Department of Energy

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Along with the recent production cuts by OPEC of 1 million barrels a day, US oil production is also in free fall.

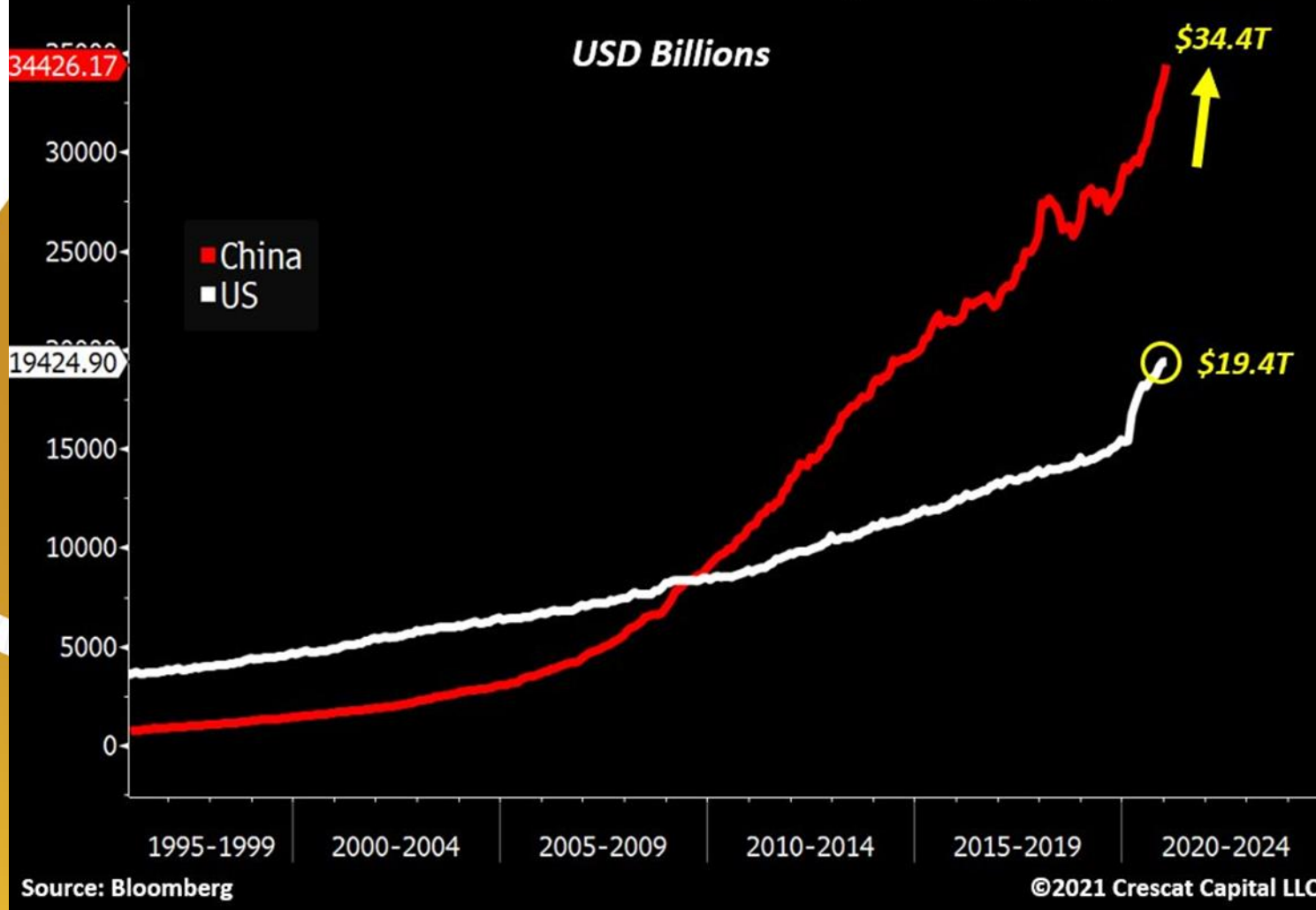


Energy vs. Tech Stocks



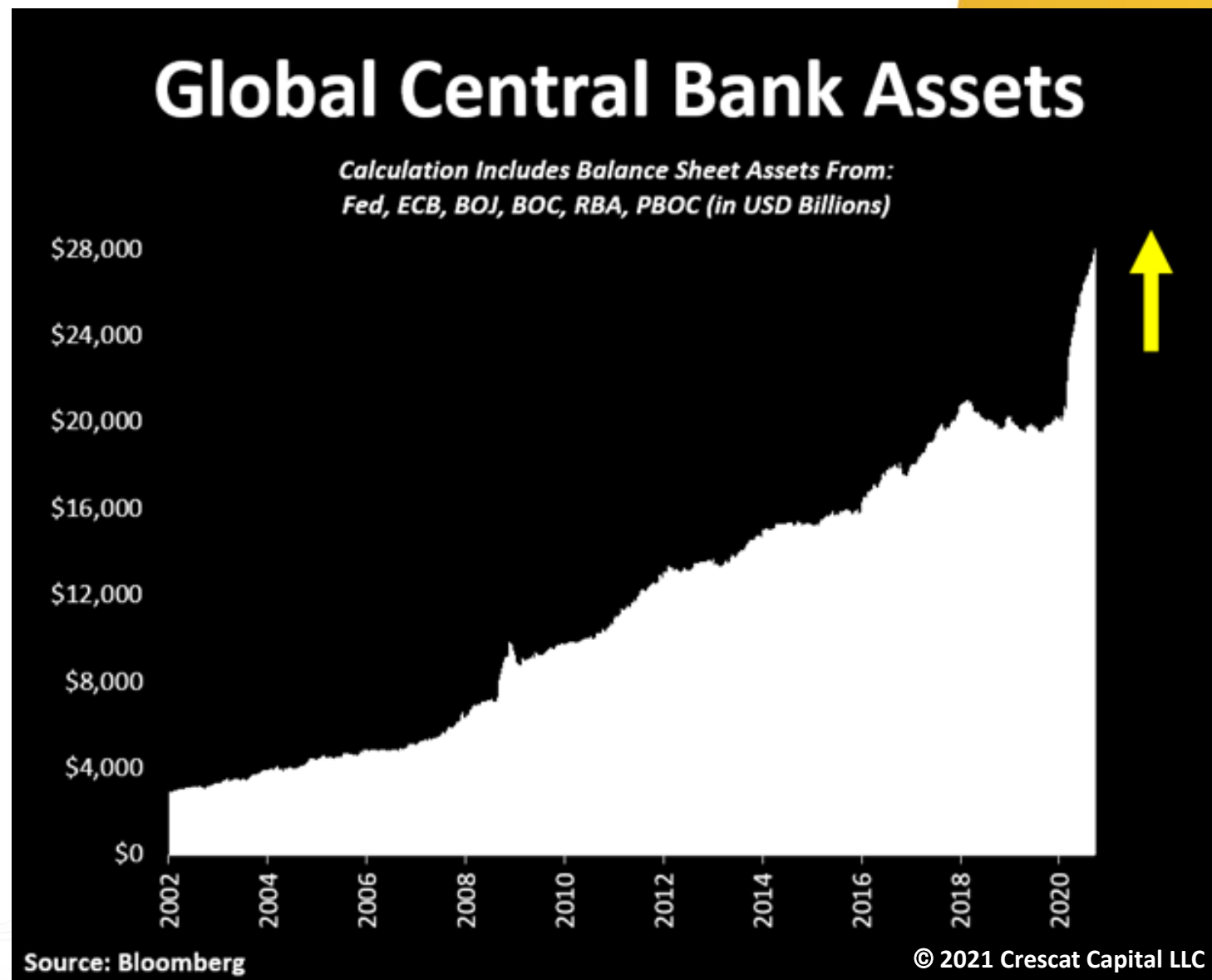
The value proposition for buying still historically undervalued oil companies relative to high-flying tech names remains incredibly attractive.

US vs. China Money Supply

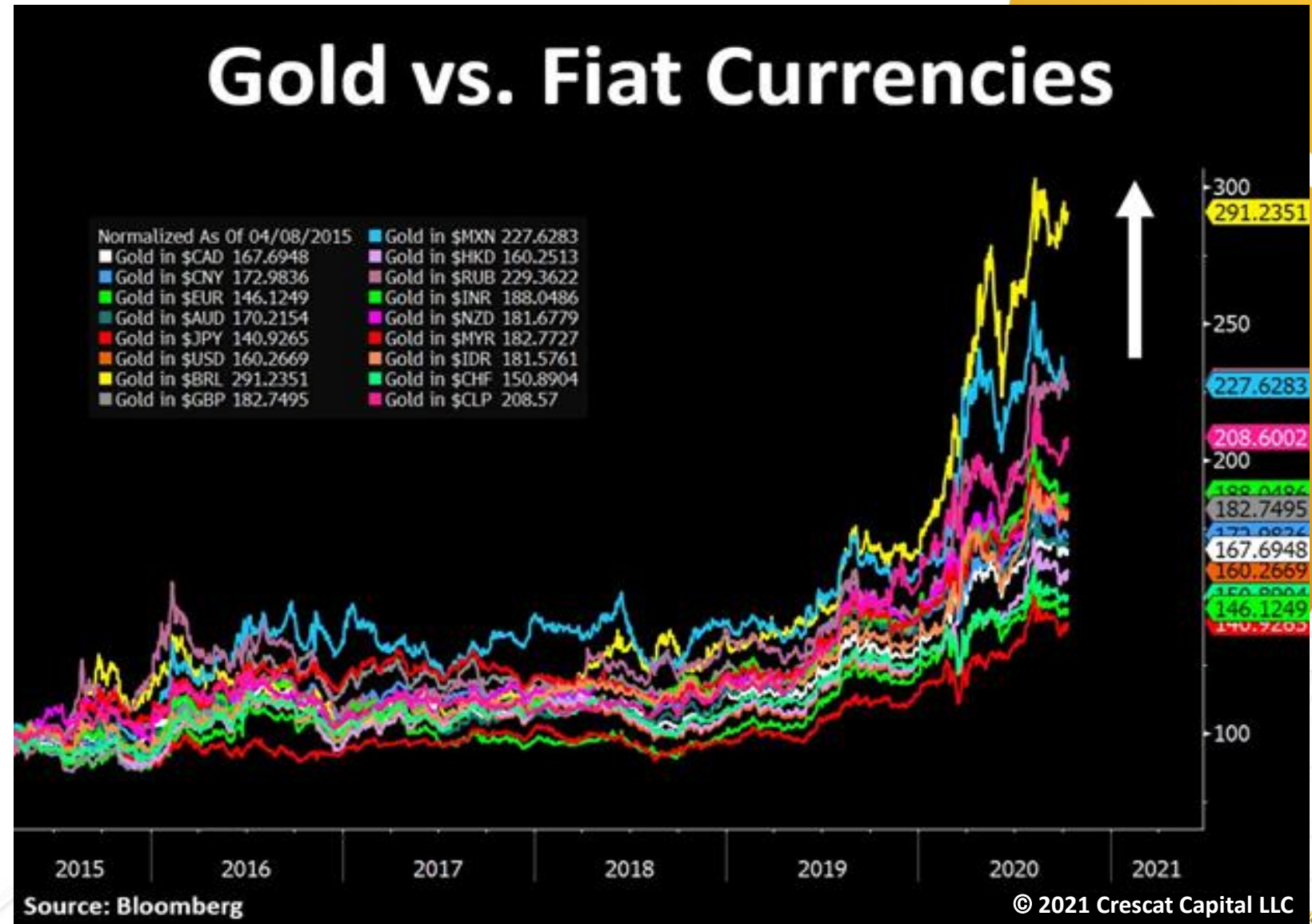


China's money supply is now 81% higher than the US.

In 2020, central bank asset growth has inflected upward to surpass the \$28 trillion mark.



Fiat currencies around the world are in a race to the bottom. The price of gold has been rising across all of them.





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