

**CRESCAT CAPITAL<sup>®</sup>**

The Value of Global Macro Investing



**CRESCAT CAPITAL**<sup>®</sup>  
THE VALUE OF GLOBAL MACRO INVESTING



# CRESCAT'S **MACRO** PRESENTATION

FEATURING PORTFOLIO MANAGERS  
KEVIN SMITH & TAVI COSTA

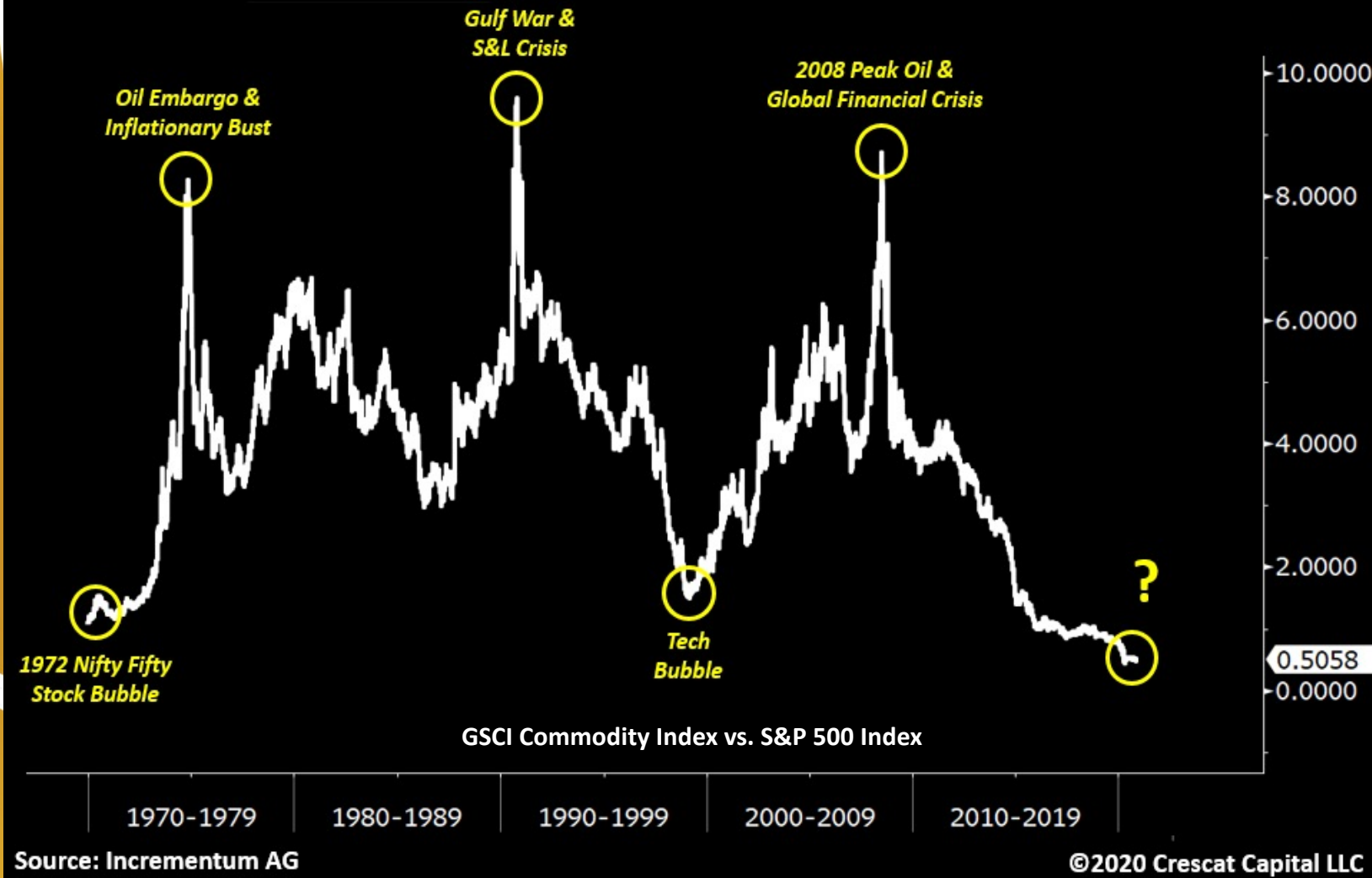


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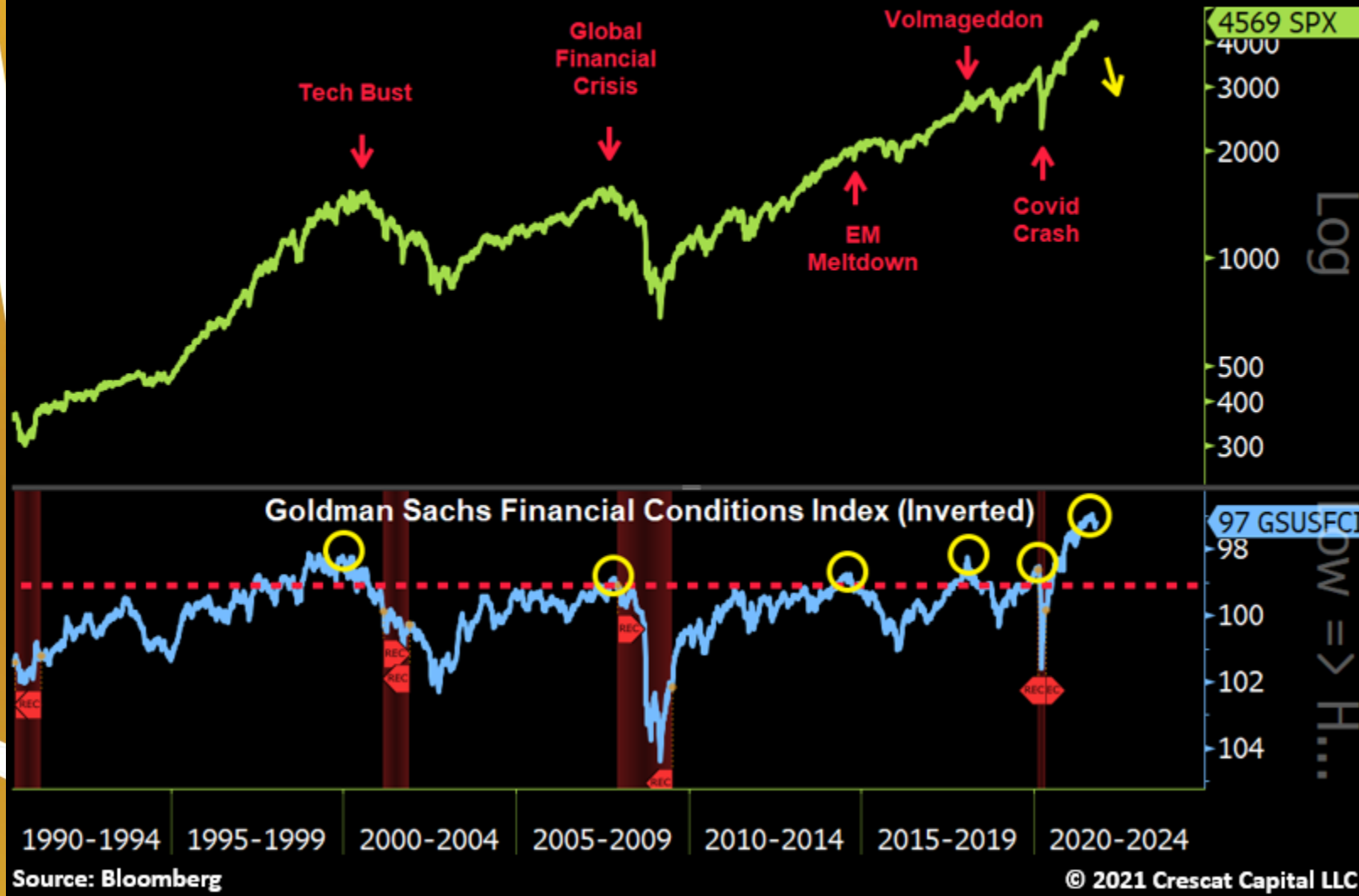


# Commodities to Equities Ratio



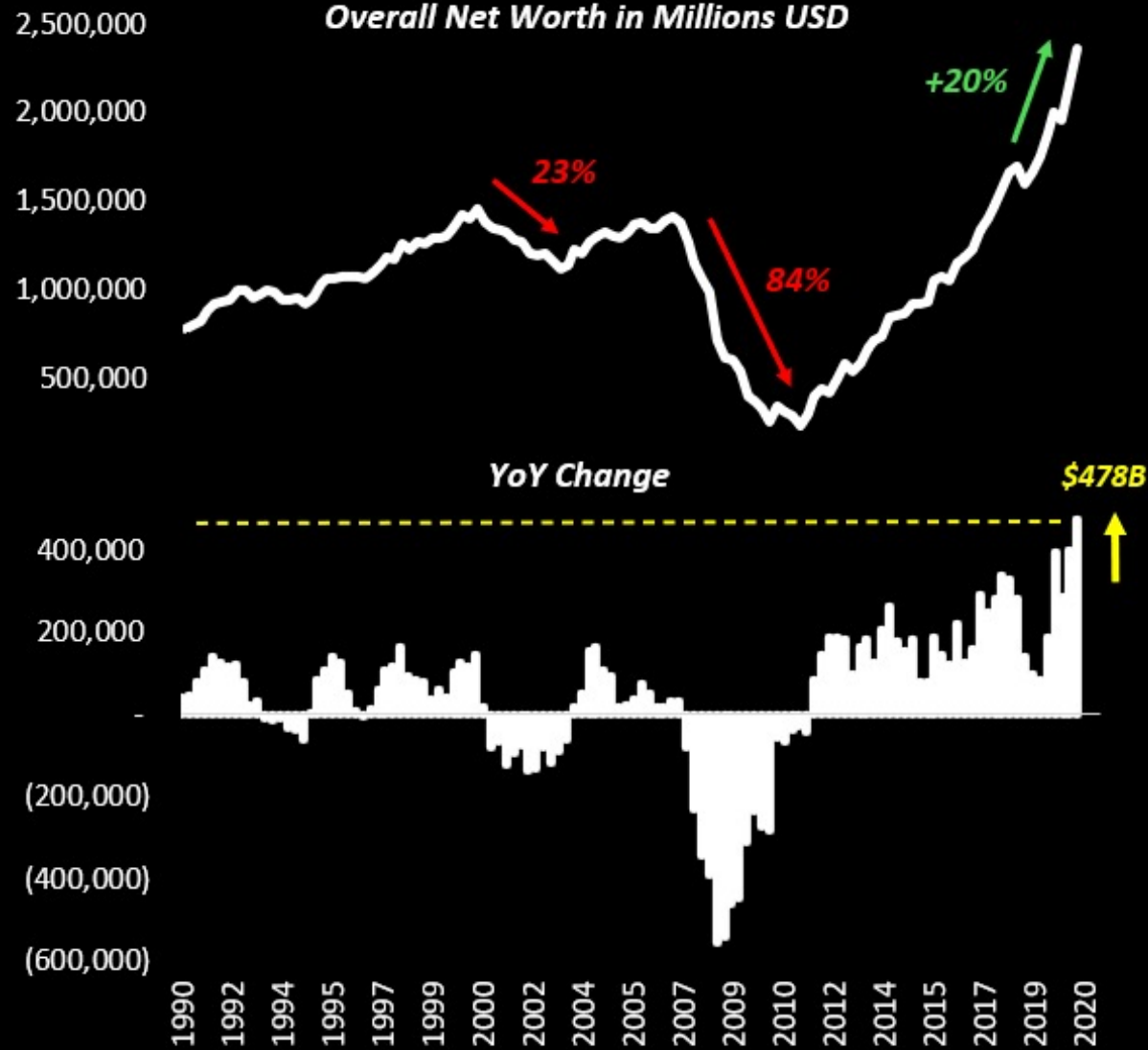
# S&P 500 vs. GS Financial Conditions Index

*Ultra Easy Financial Conditions Lead to Market and Economic Crises*



# **The 3 Pillars of Inflation**

# US Bottom 50%



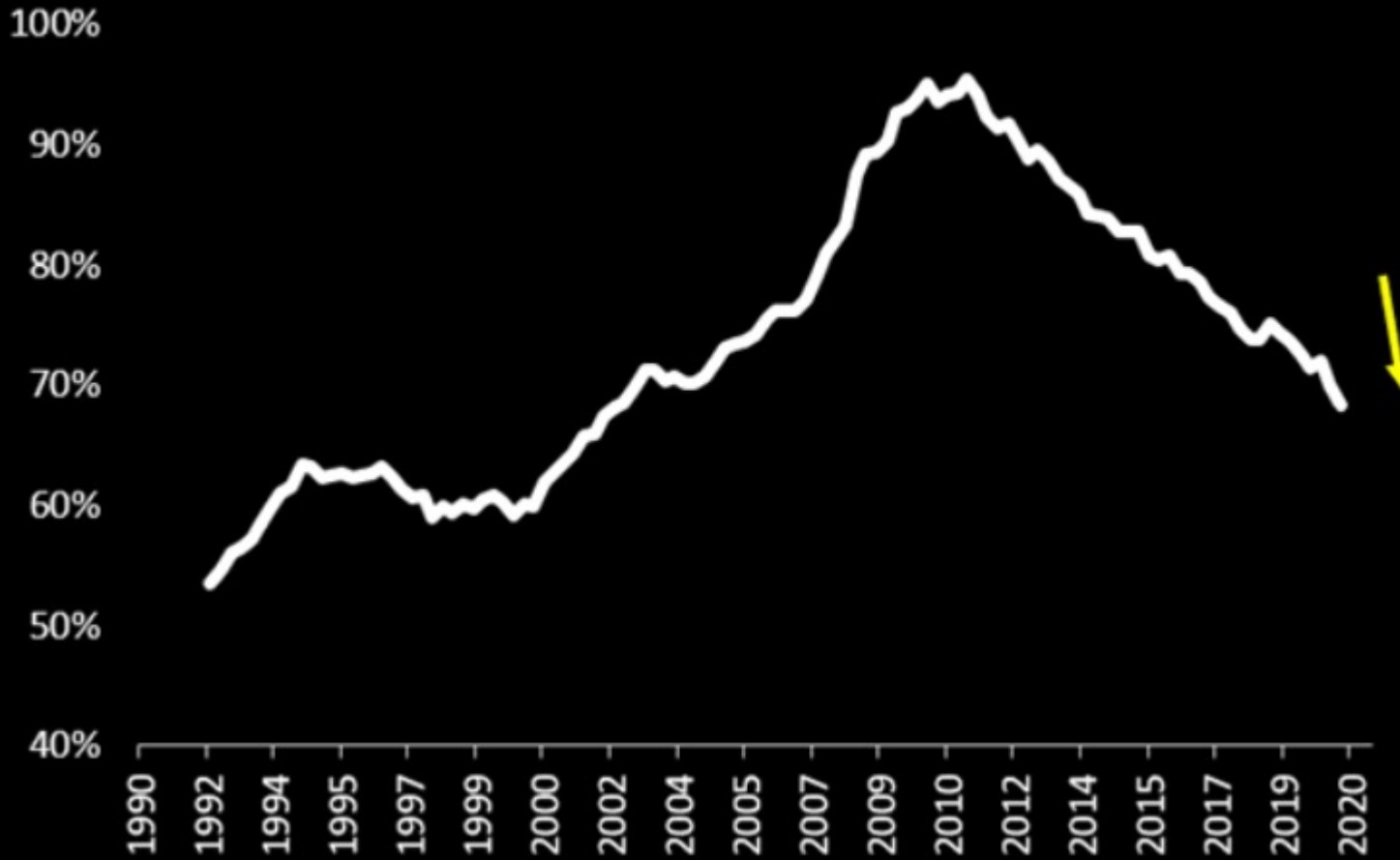
Source: Federal Reserve

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# US Bottom 50%

*Liabilities to Assets Ratio*



Source: Federal Reserve

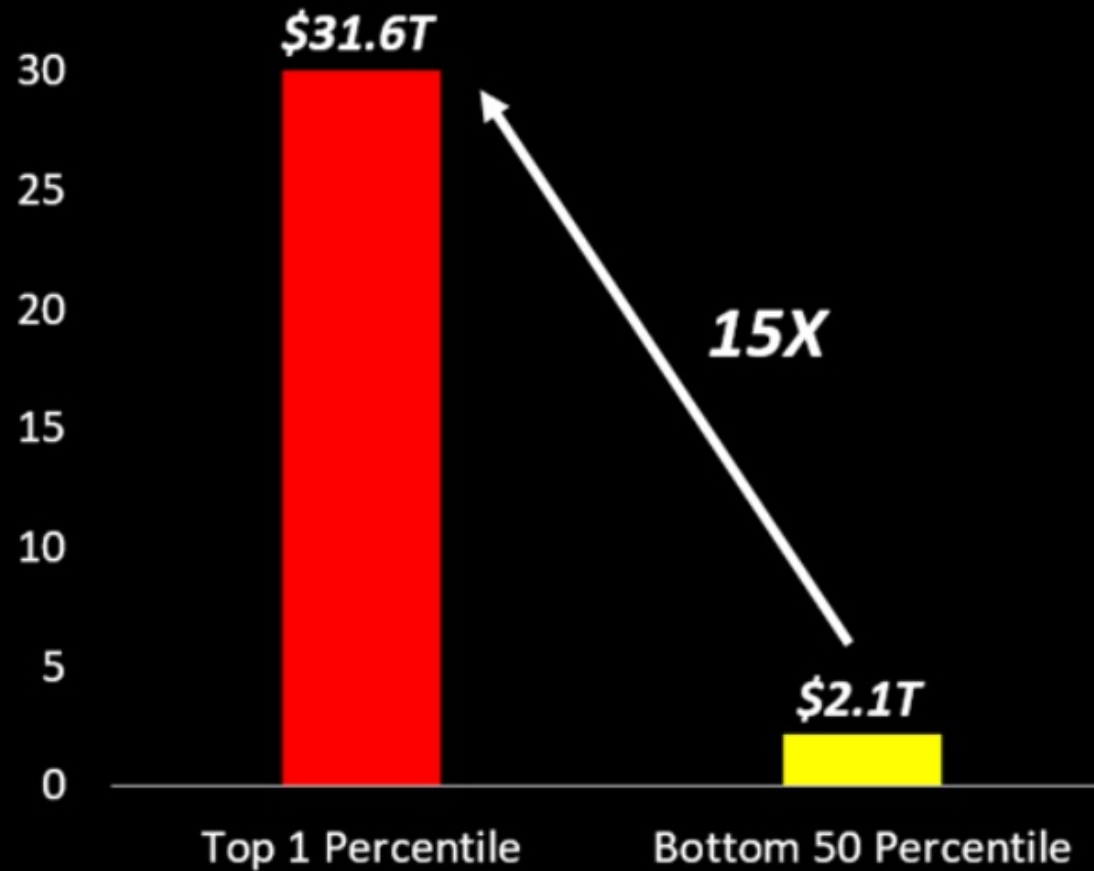
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# Ultra-Rich vs. Bottom 50%

*Value of Financial Assets in USD Trillions*



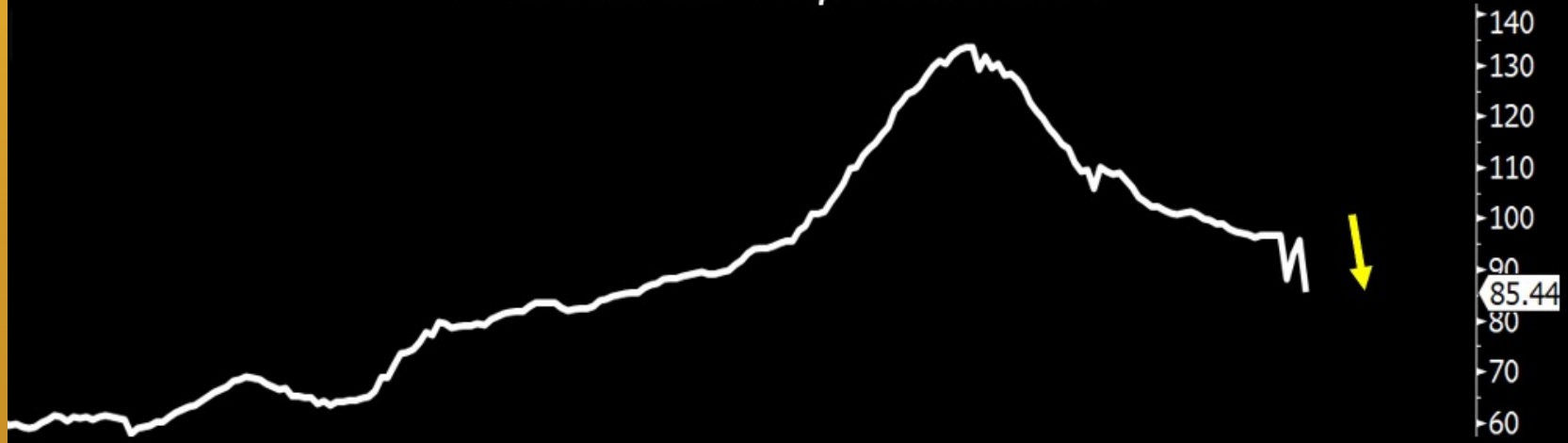
Source: Federal Reserve

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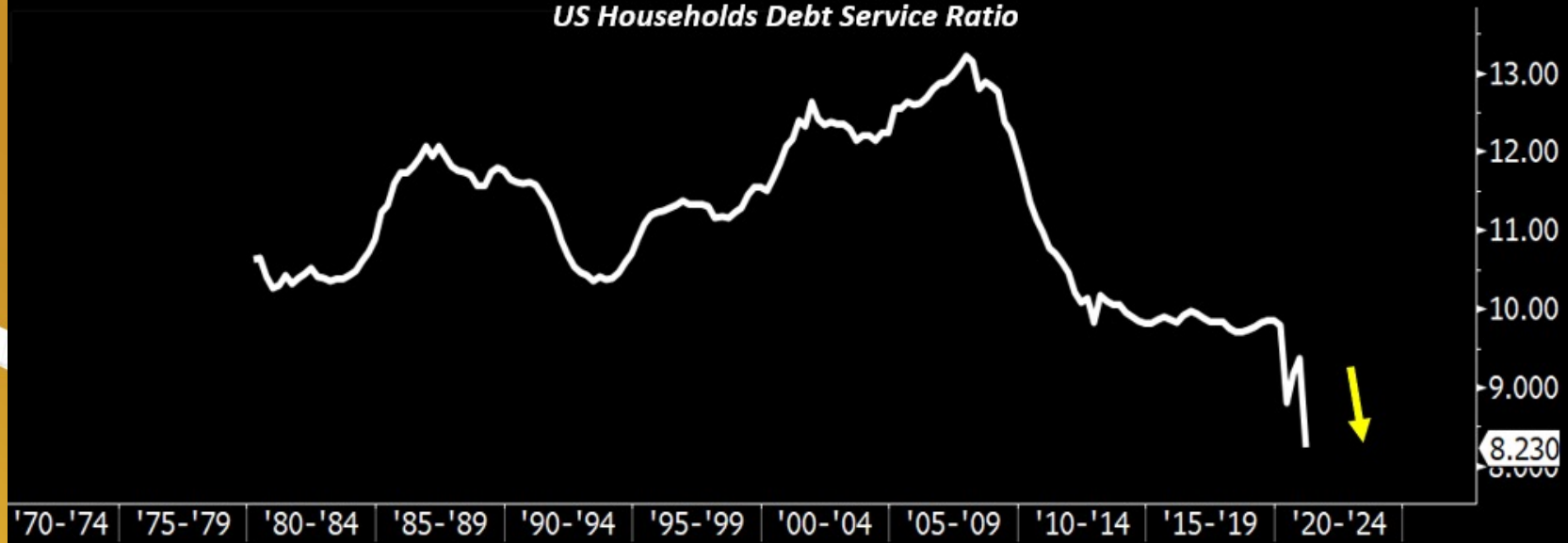


# US Consumer Fundamentals

*US Households Debt to Disposable Income Ratio*



*US Households Debt Service Ratio*



'70-'74 '75-'79 '80-'84 '85-'89 '90-'94 '95-'99 '00-'04 '05-'09 '10-'14 '15-'19 '20-'24

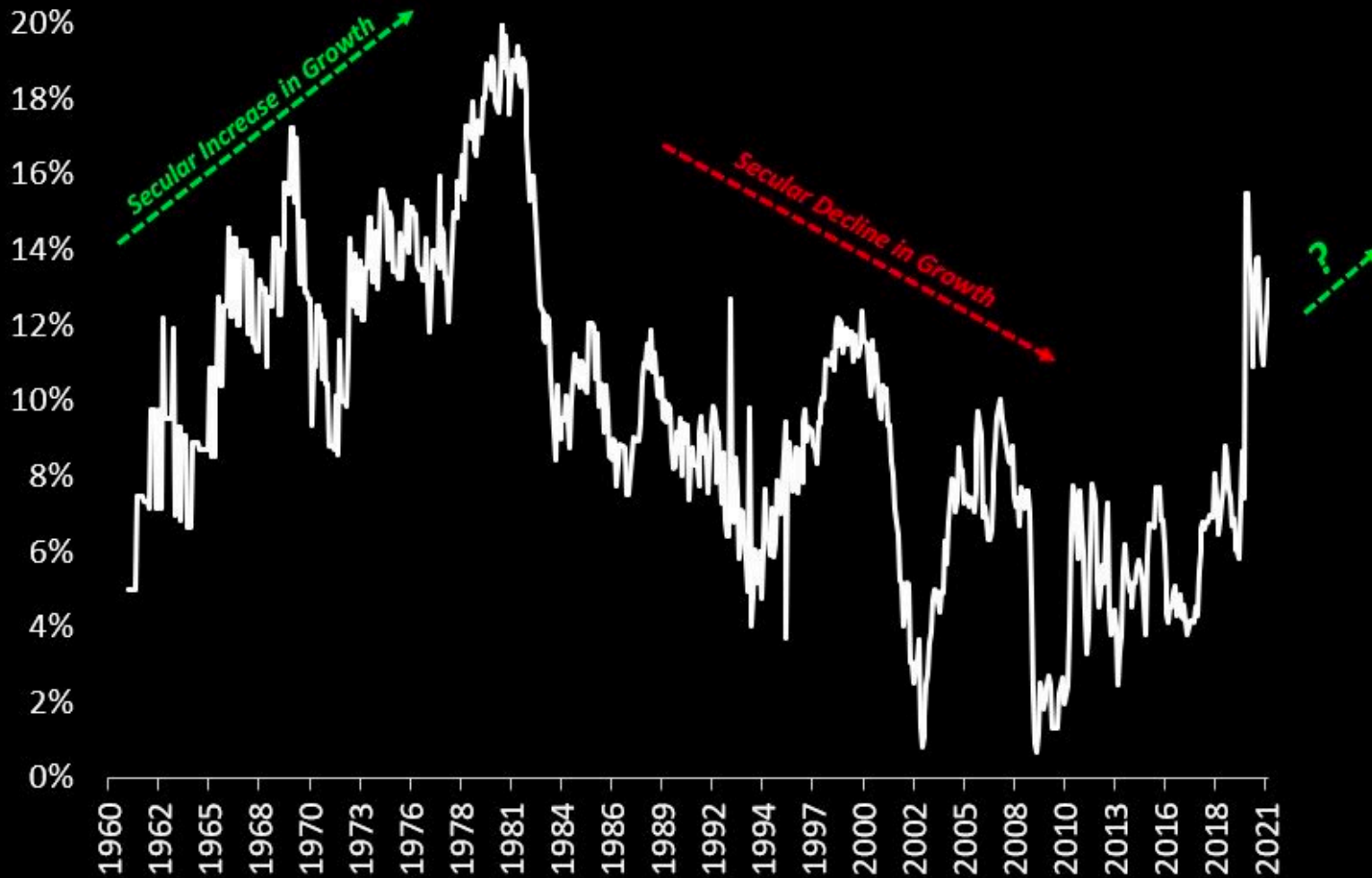
Source: Federal Reserve

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# Growth in Wages & Salaries Per Employed Person

24-Month Change (%)

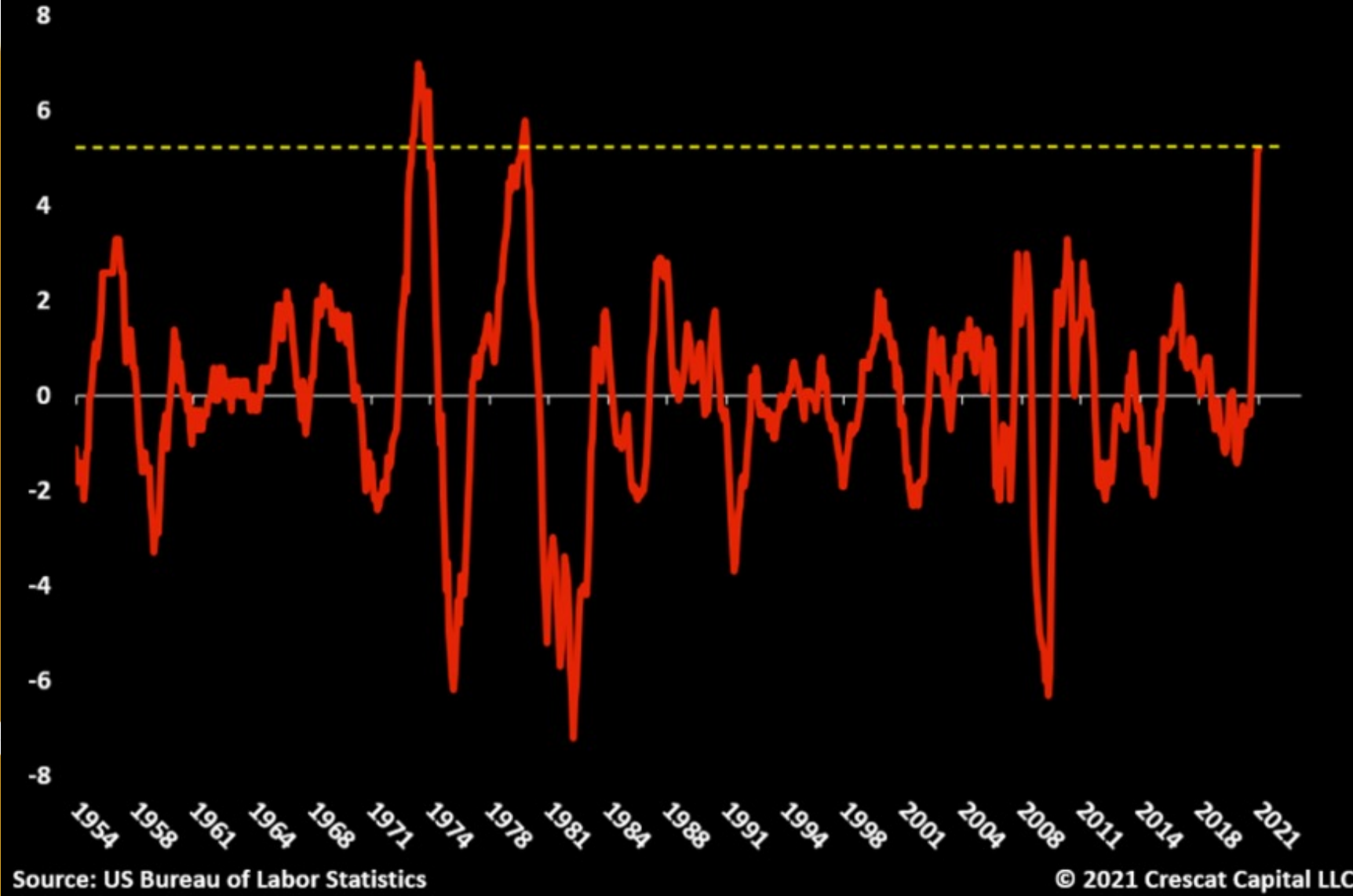


Source: Federal Reserve

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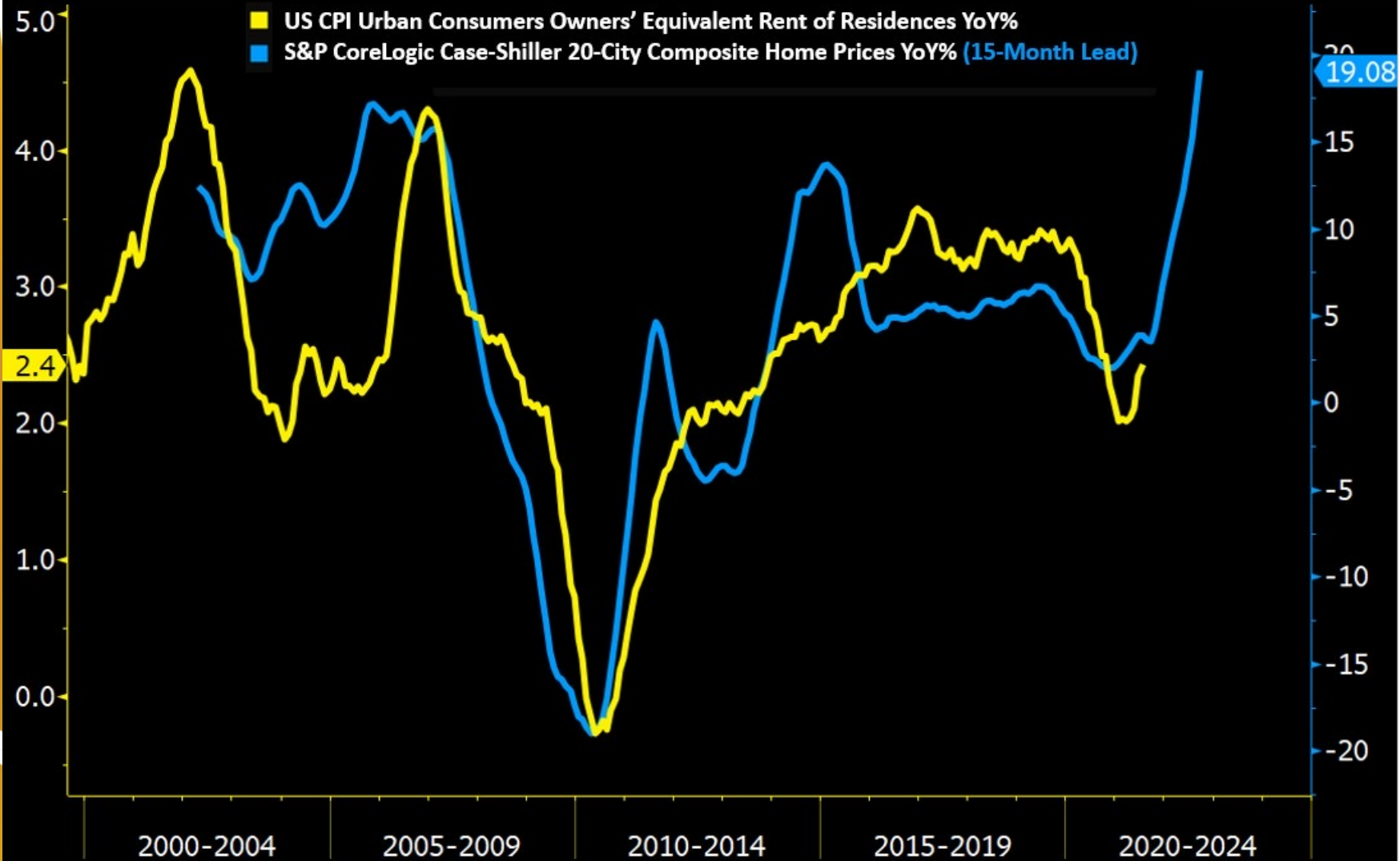


# 15-Month Change in CPI (YoY %)





# CPI Owners Equivalent Rent vs. Home Prices



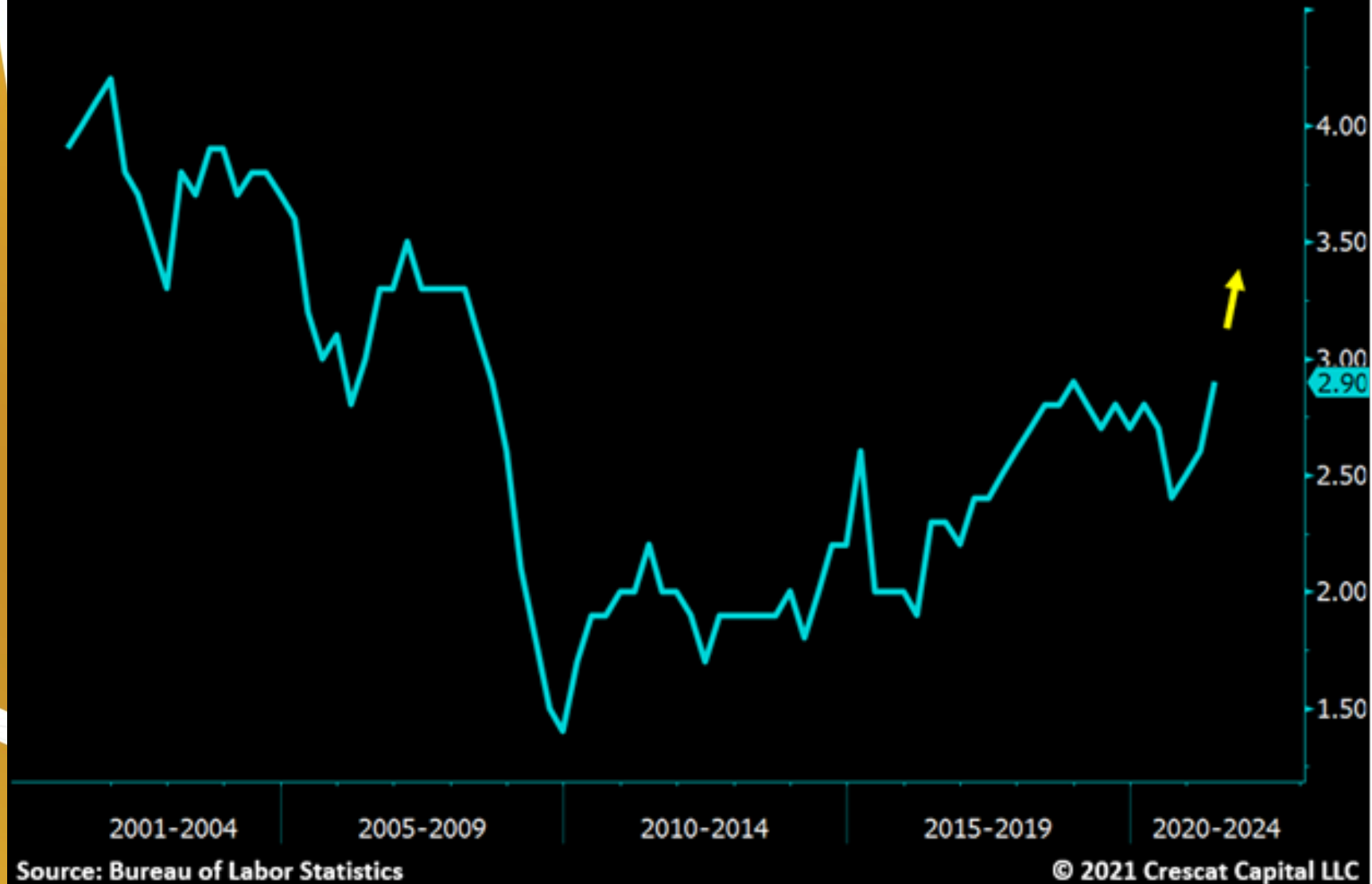
Source: US Bureau of Labor Statistics, S&P CoreLogic

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# Employment Cost Index (YoY%)



# Global Central Bank Assets vs. Gold

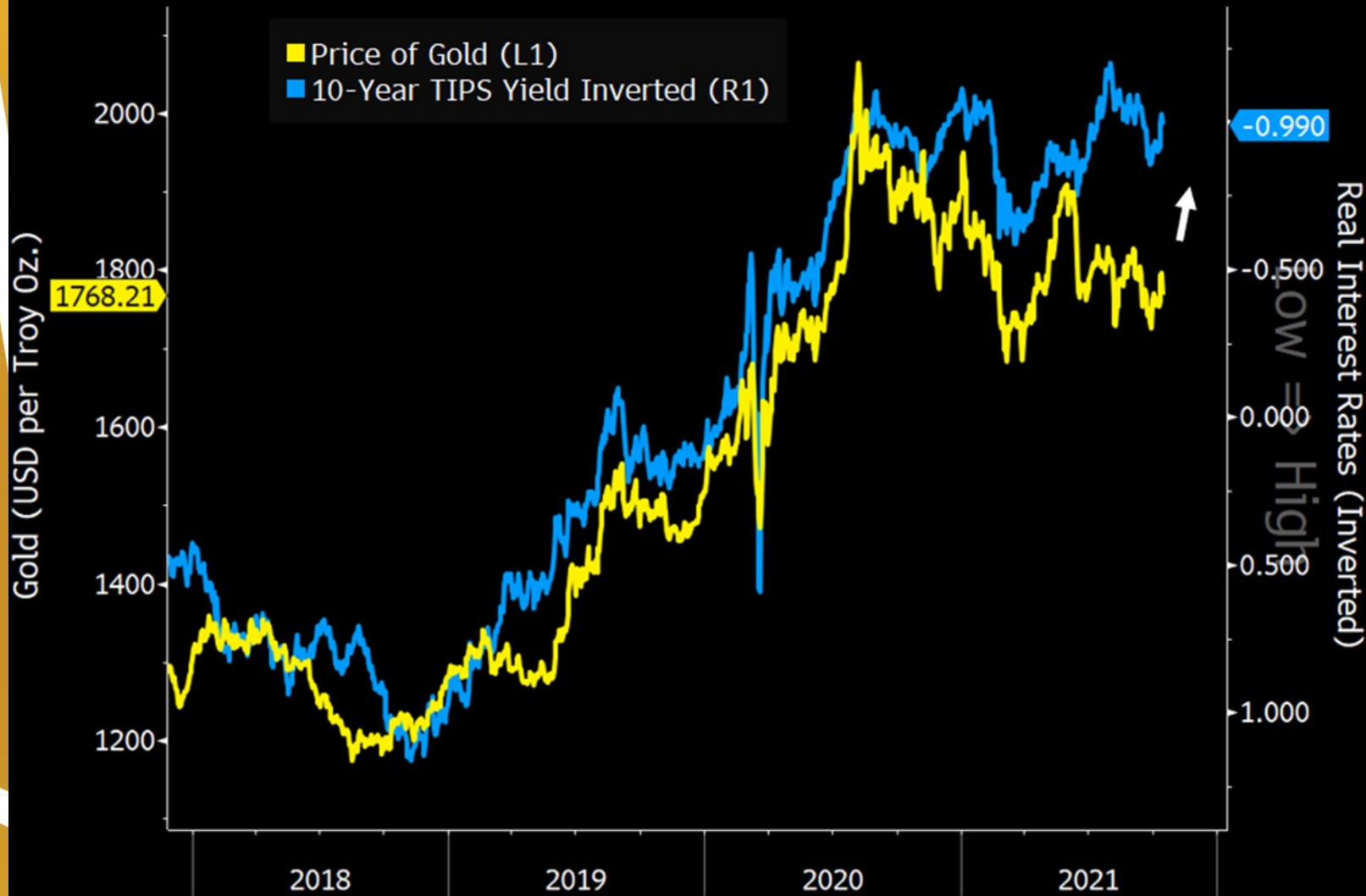


Source: Bloomberg, Central Banks

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# 10-Year TIPS vs. Gold



Source: Bloomberg

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# The Fiscal Agenda

- **The Green Revolution**
- **An Infrastructure Revamp**
- **Peak Inequality**
- **A Fiscal Arms Race with China**

# US Twin Deficit

*US Current + Fiscal Account Relative to Nominal GDP*

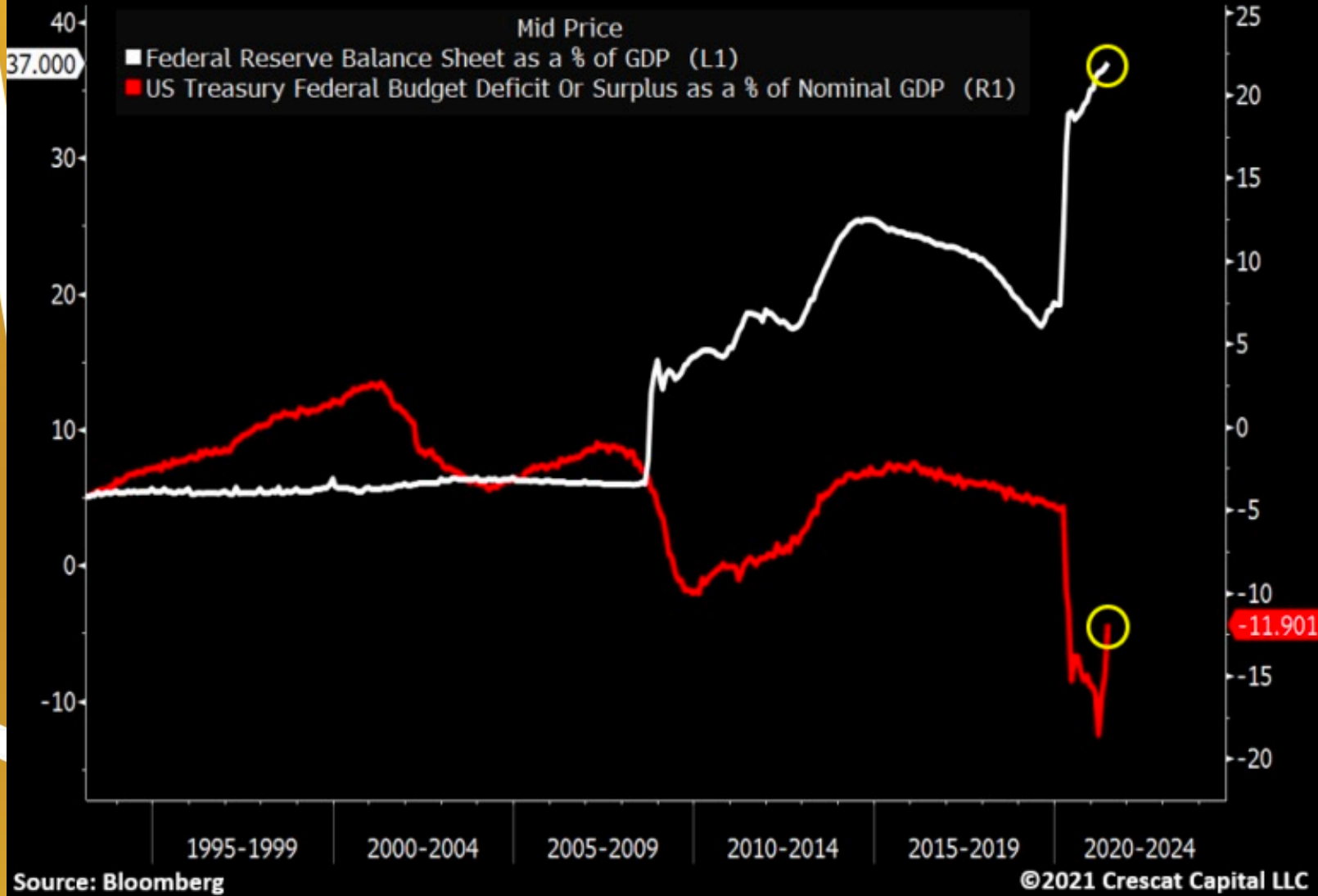


Source: Federal Reserve

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# 12% Deficit/GDP + Negative Real Rates + At Least \$120B/Month of QE



# **A Flood of Treasury Issuances**



# Net Issuances of Treasury Bonds & Notes

*Trailing 3-Months in Millions USD*

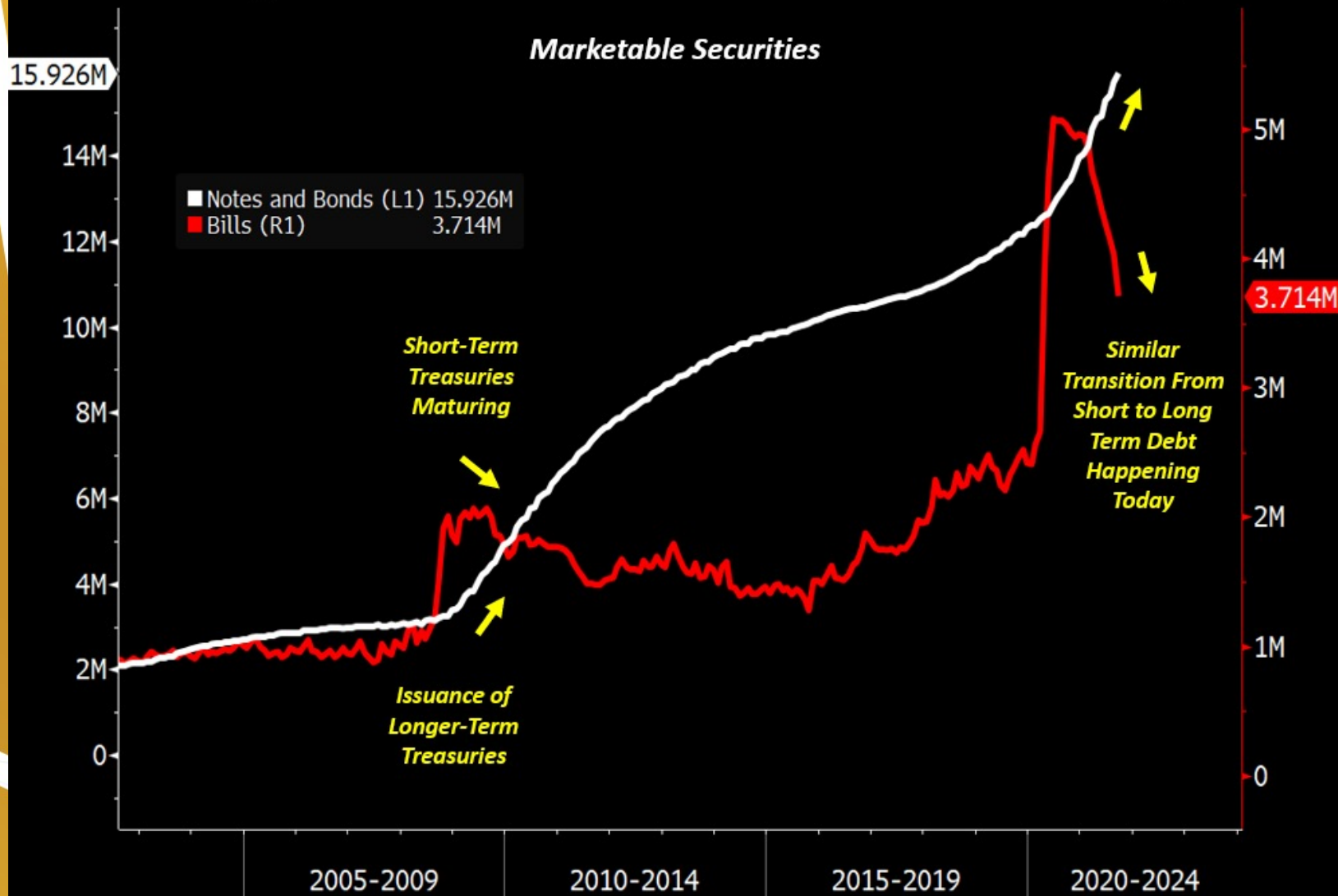


Source: Federal Reserve

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# Long vs. Short-Term Treasuries Outstanding



Source: Federal Reserve

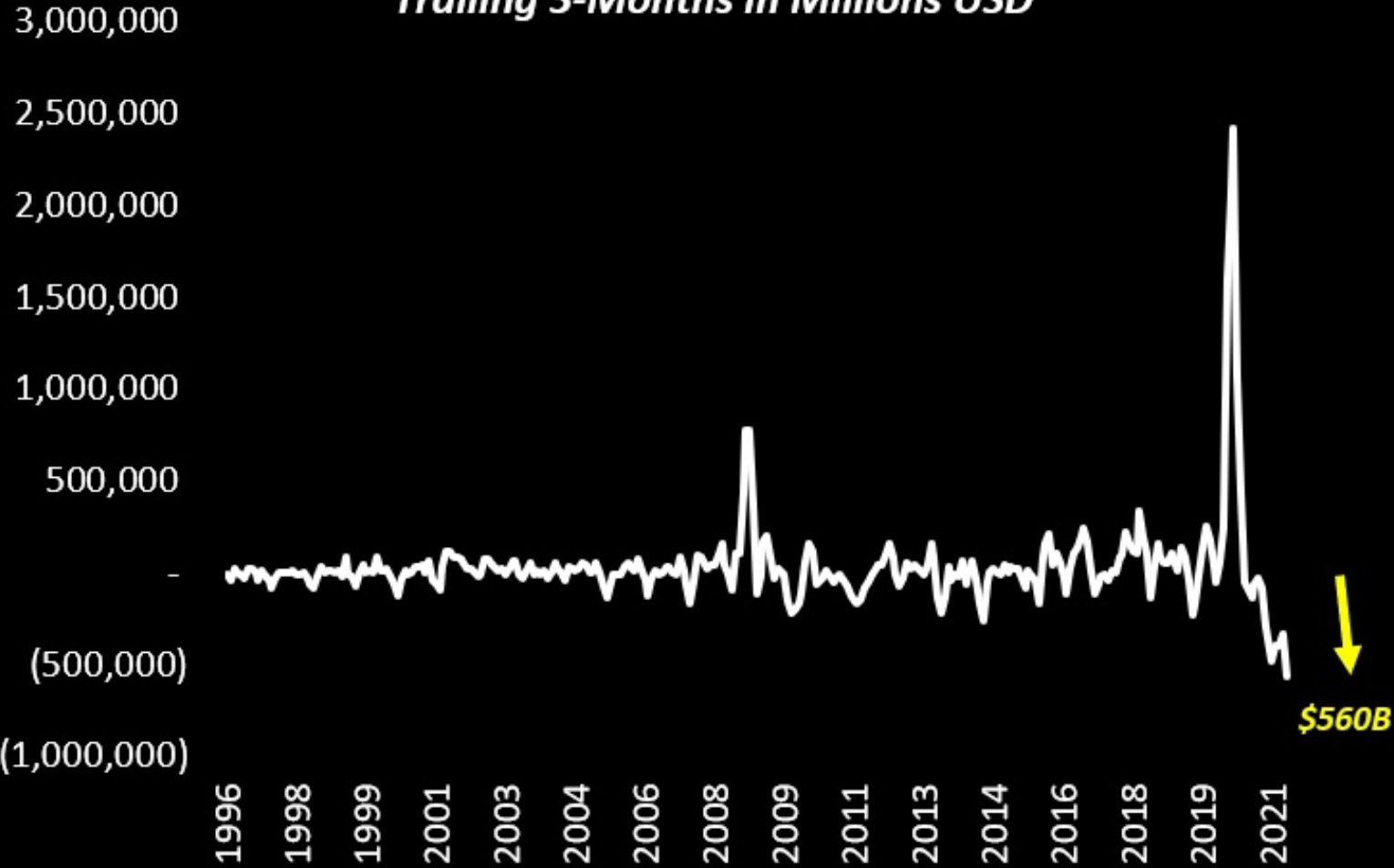
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# Net Issuances of Treasury Bills

*Trailing 3-Months in Millions USD*



Source: Federal Reserve

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# US Treasury Holdings

*% of Ownership of Marketable Securities*



Source: Federal Reserve

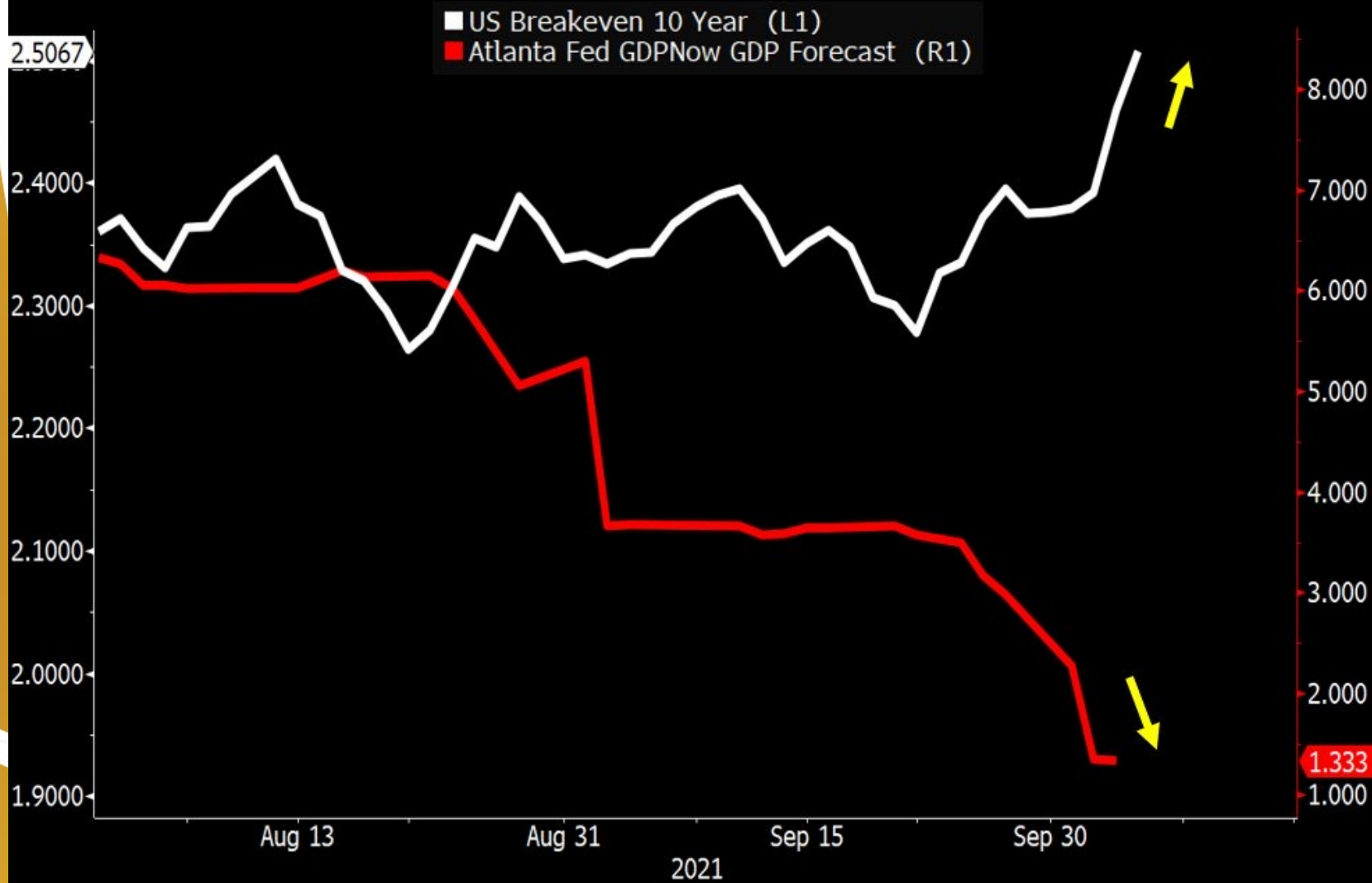
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# Stagflation

# GDP Nowcast vs. Inflation Expectation



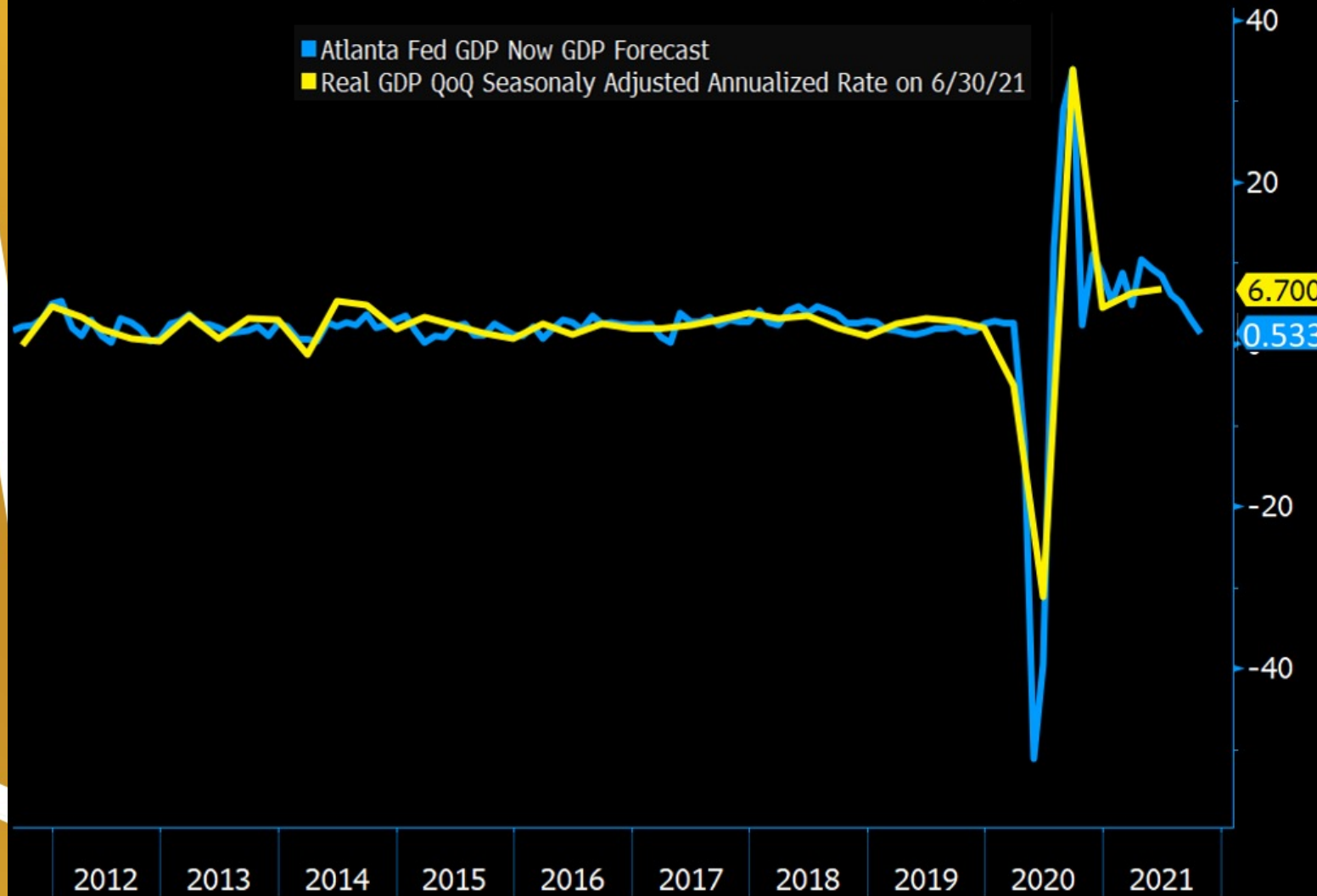
Source: Bloomberg

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# Q3 Real GDP Poised to Disappoint

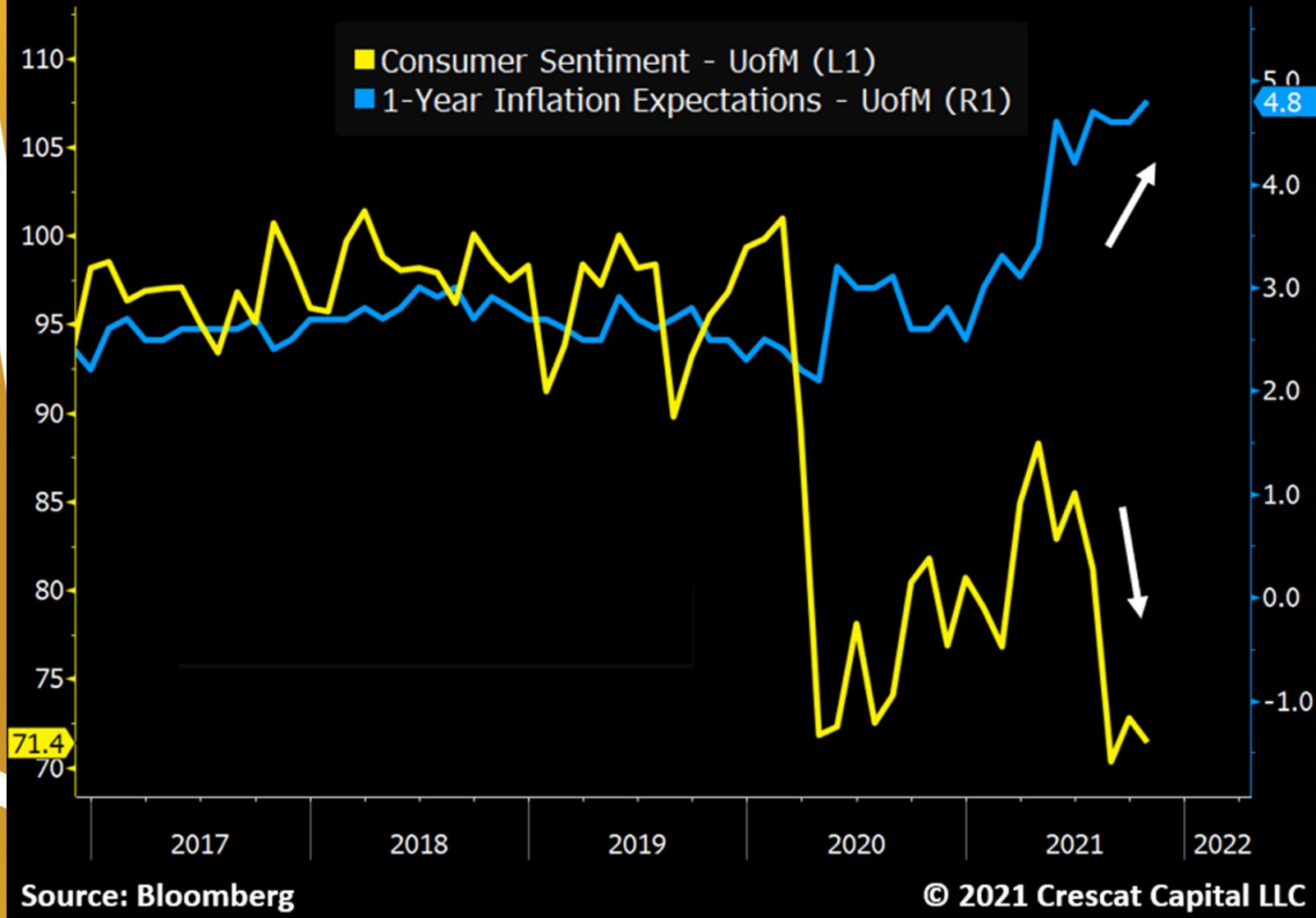


Source: Atlanta Fed, Bureau of Economic Analysis

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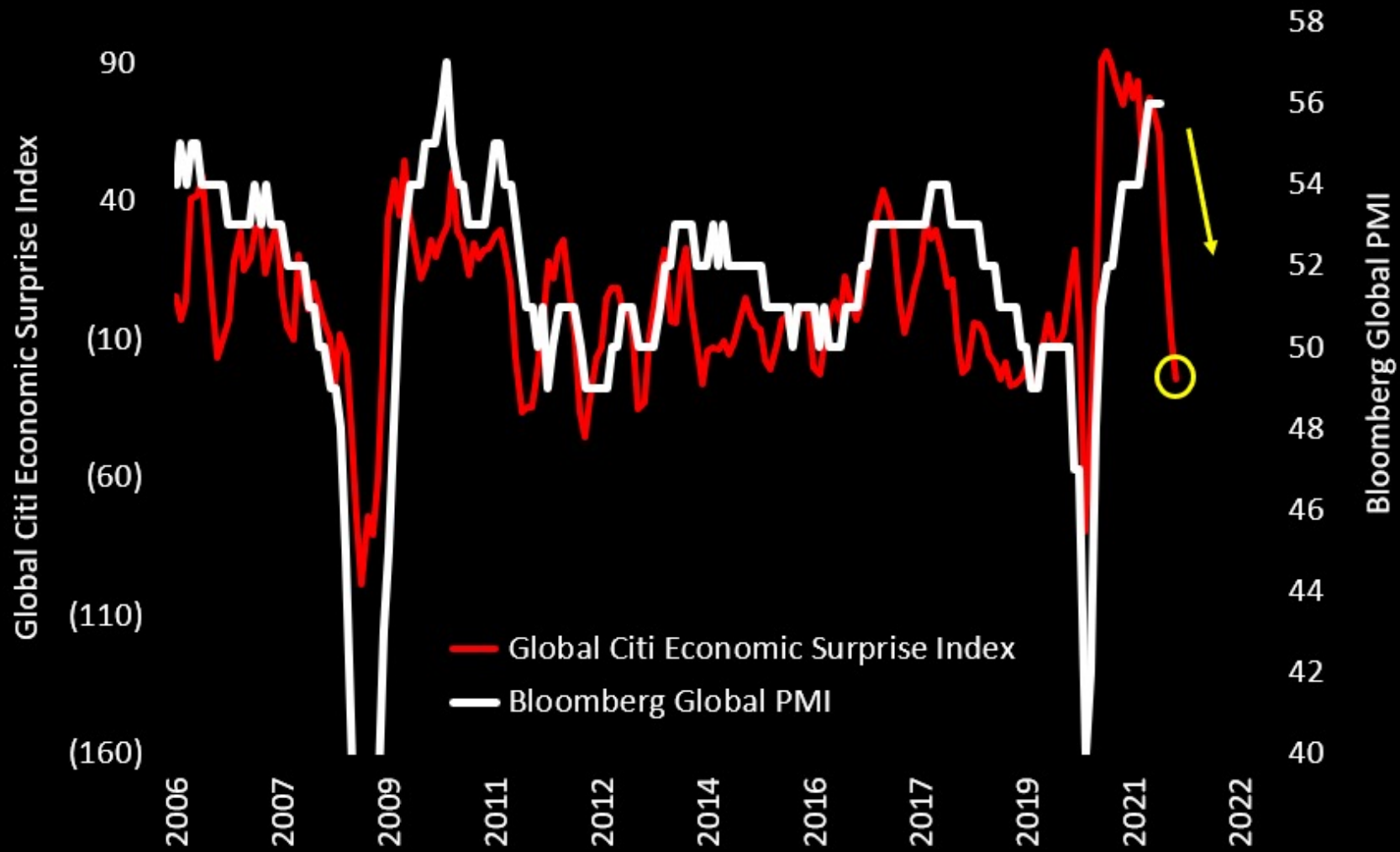


# University of Michigan Stagflation





# Global PMI vs. Citi Economic Surprise



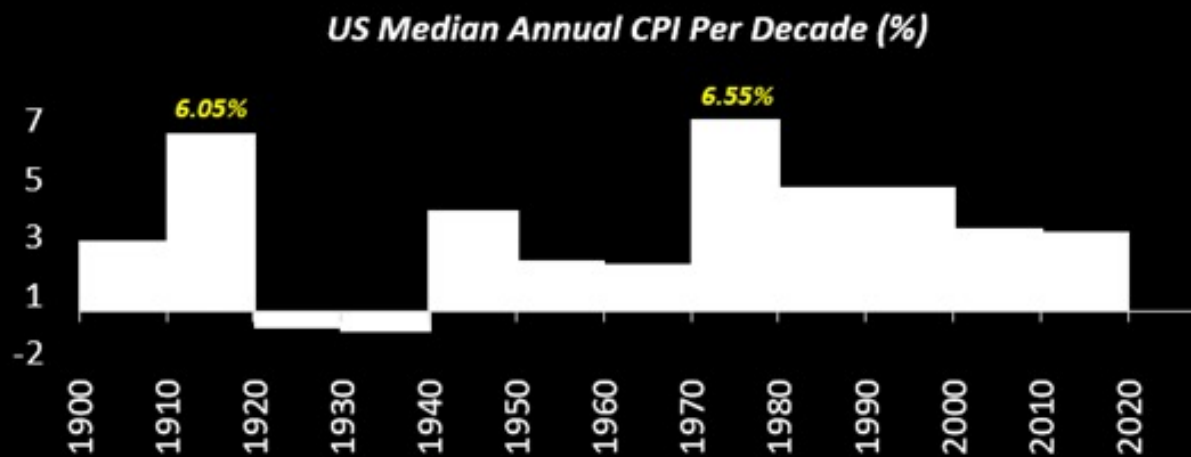
Source: Bloomberg

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# **Inflationary Decades**

# Stocks During Inflationary Periods



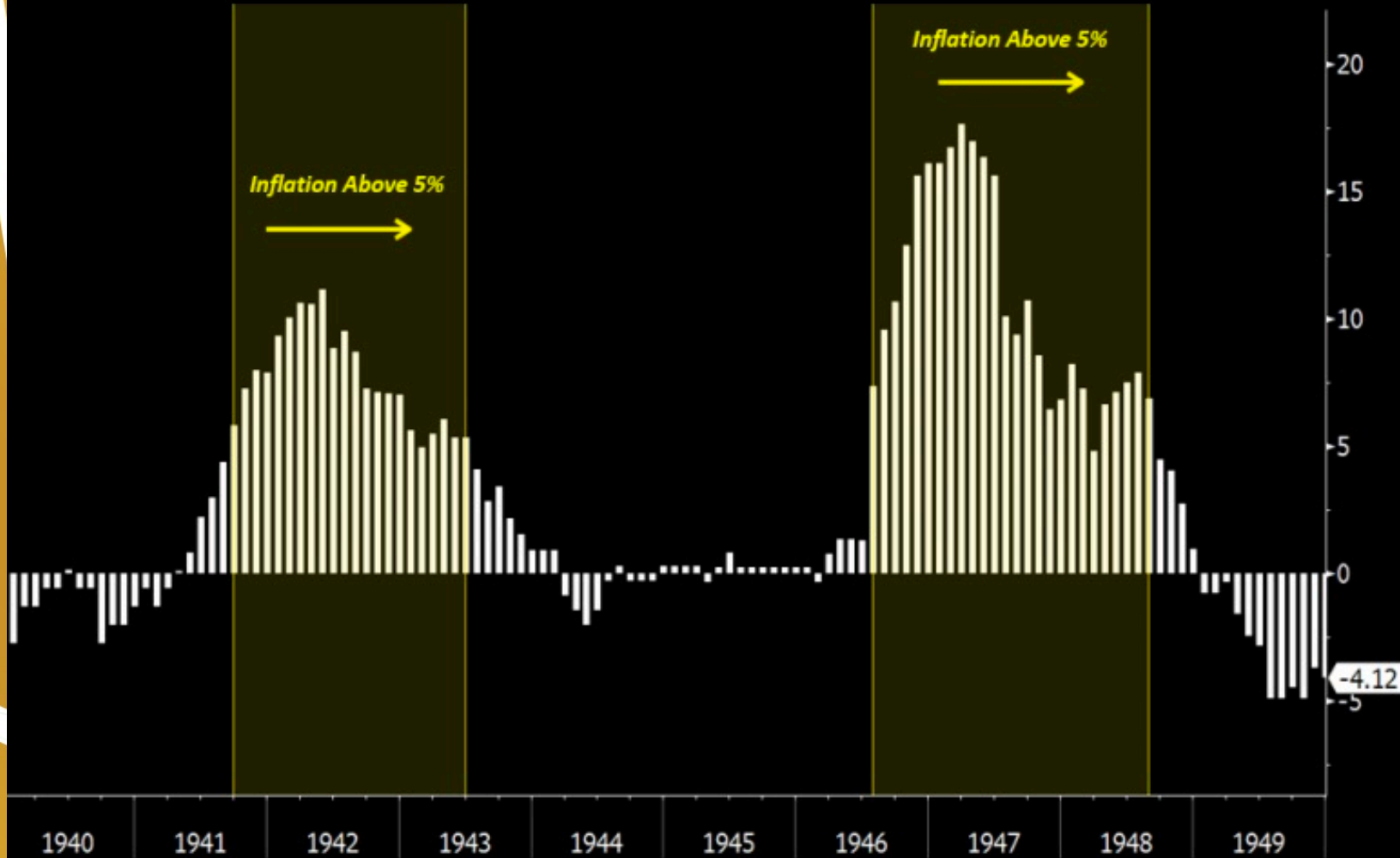
Source: Federal Reserve

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# The "Transitory" Inflationary Periods of the '40s

US CPI YoY Change (%)



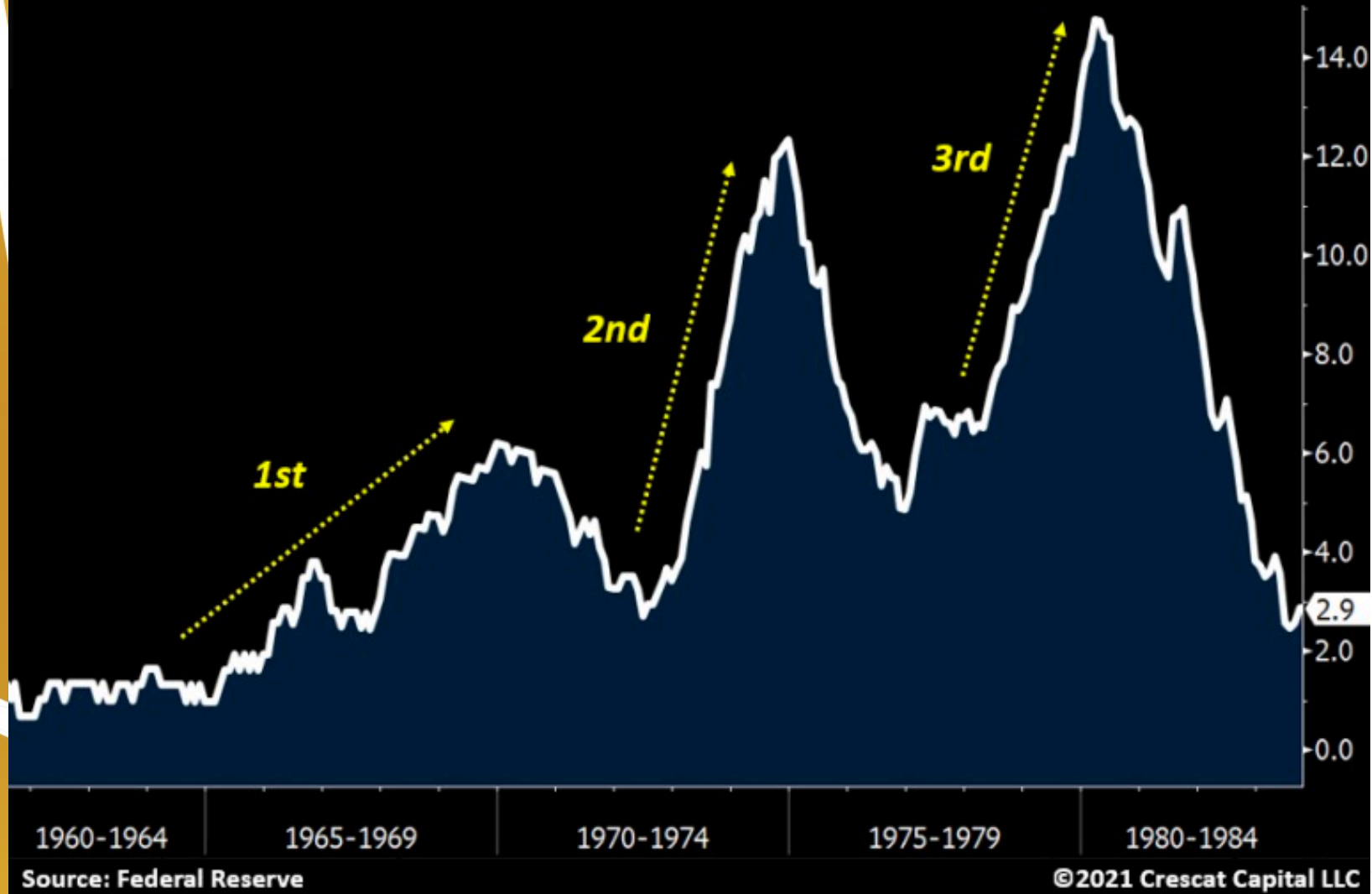
Source: Bloomberg

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# The Three Inflationary Waves of the 70s



# US Equity Valuations in The 40s, 70s & Today

*S&P 500 Cyclically Adjusted Price to Earnings Ratio*

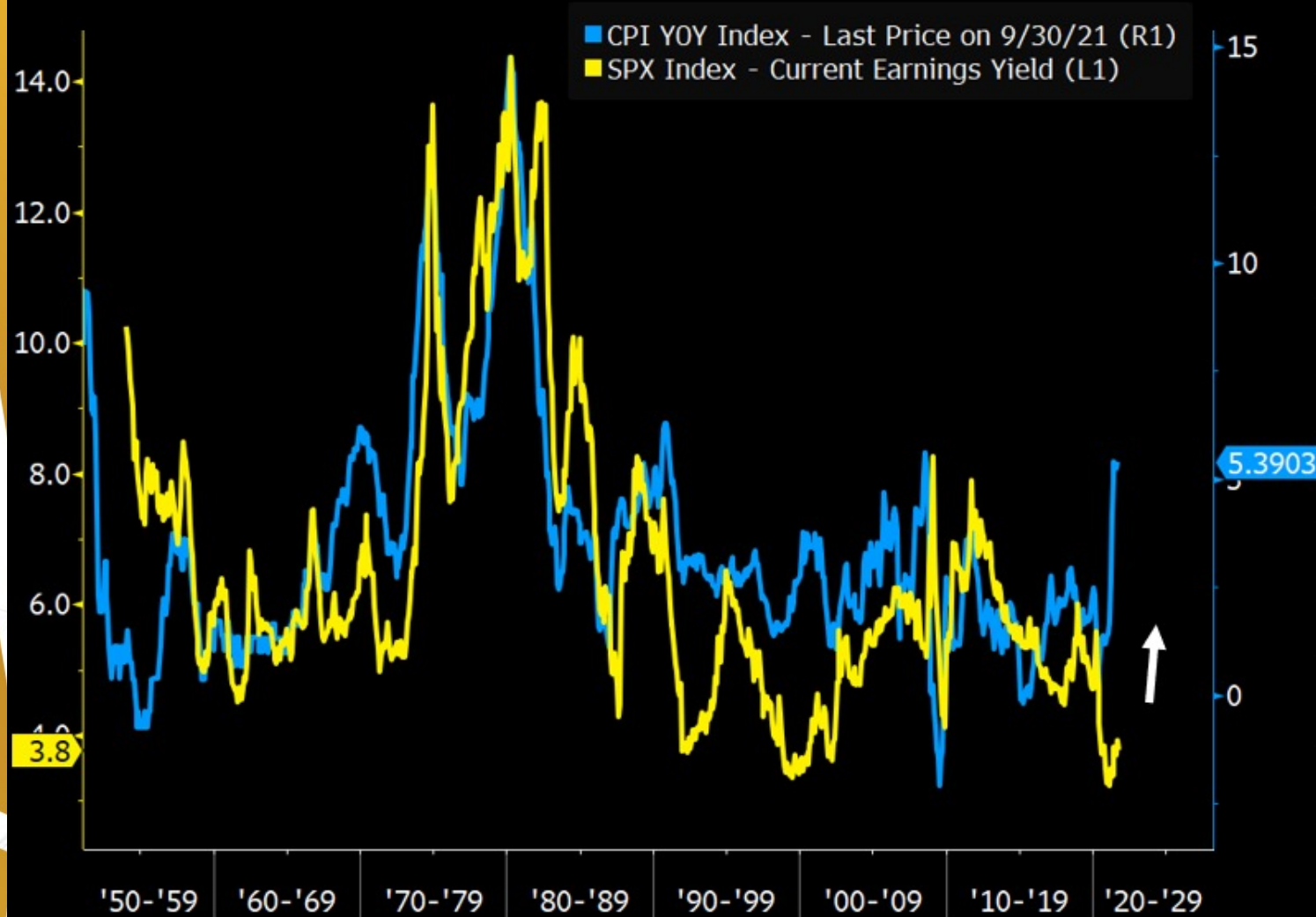


Source: Robert Shiller; Yale School of Management

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# S&P 500 Earnings Yield vs. CPI YoY



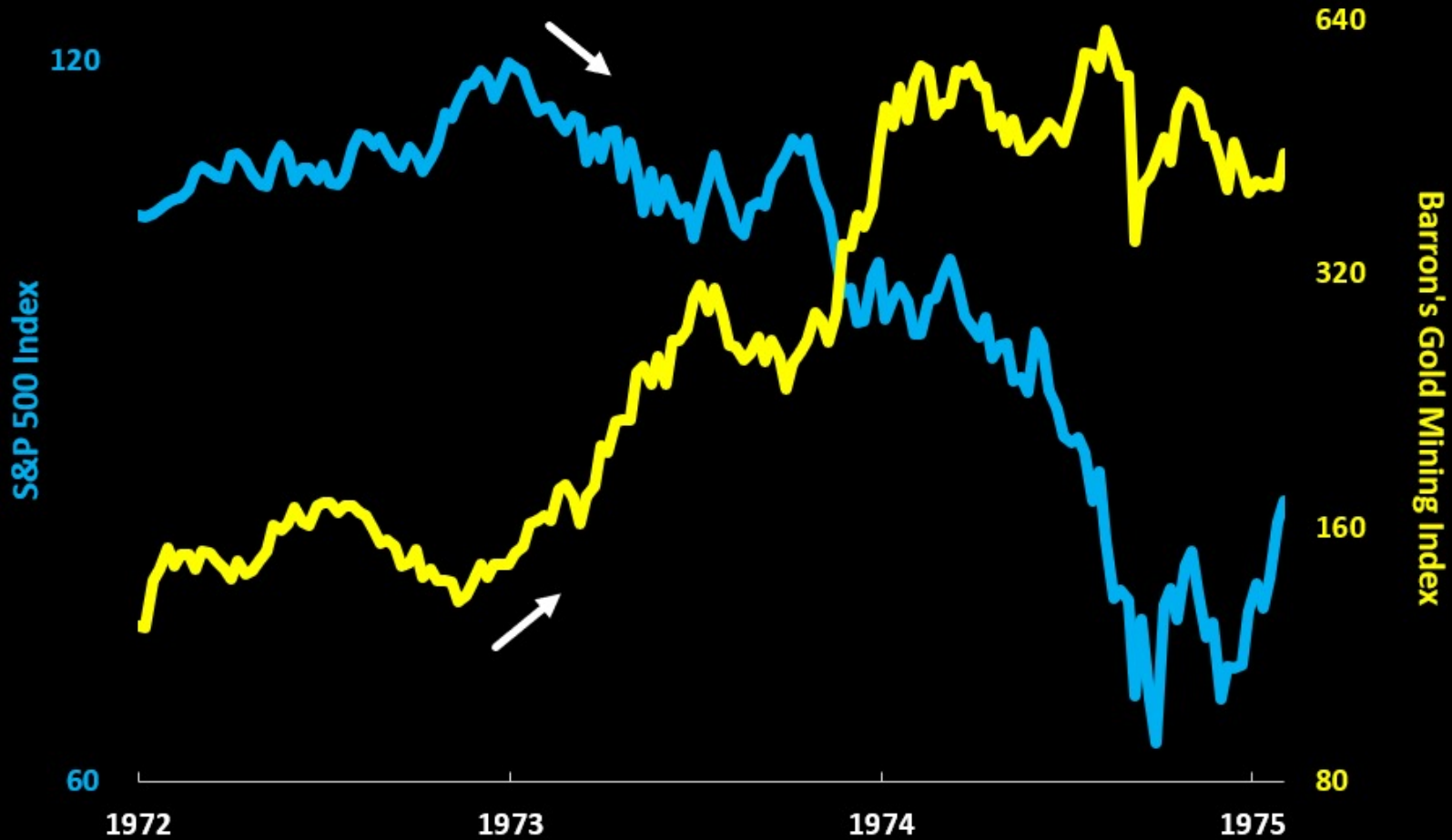
Source: Bloomberg

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# Inflationary Recession of 1973-74

*Barron's Gold Mining Index vs. S&P 500*



Source: Gold Charts R Us

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# US Individual Income Tax Rates for the Highest Tax Bracket

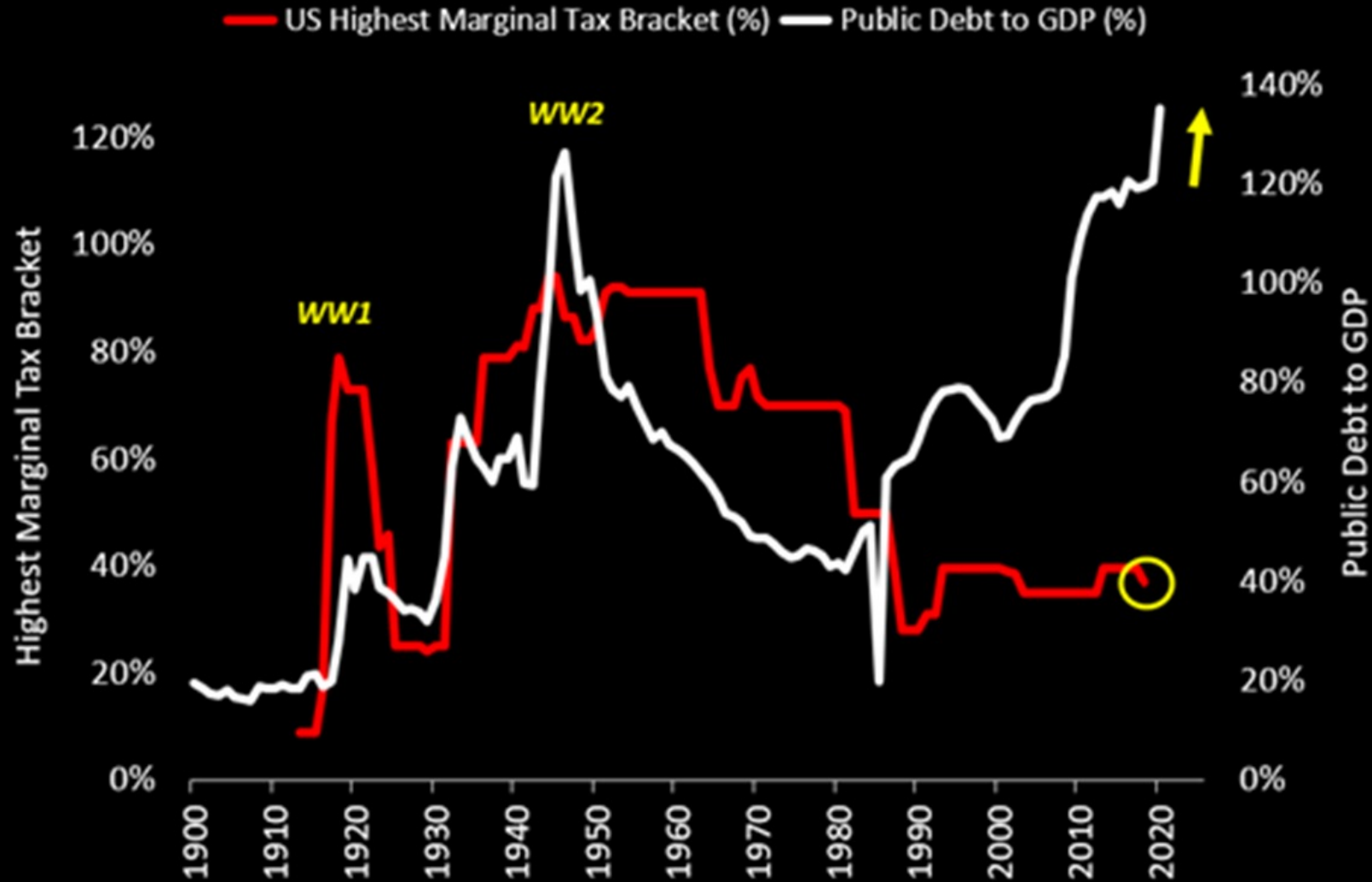


Source: Bloomberg

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# US Marginal Tax Bracket vs. Government Debt



Source: Federal Reserve

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# Commodities vs. Inflation Expectations



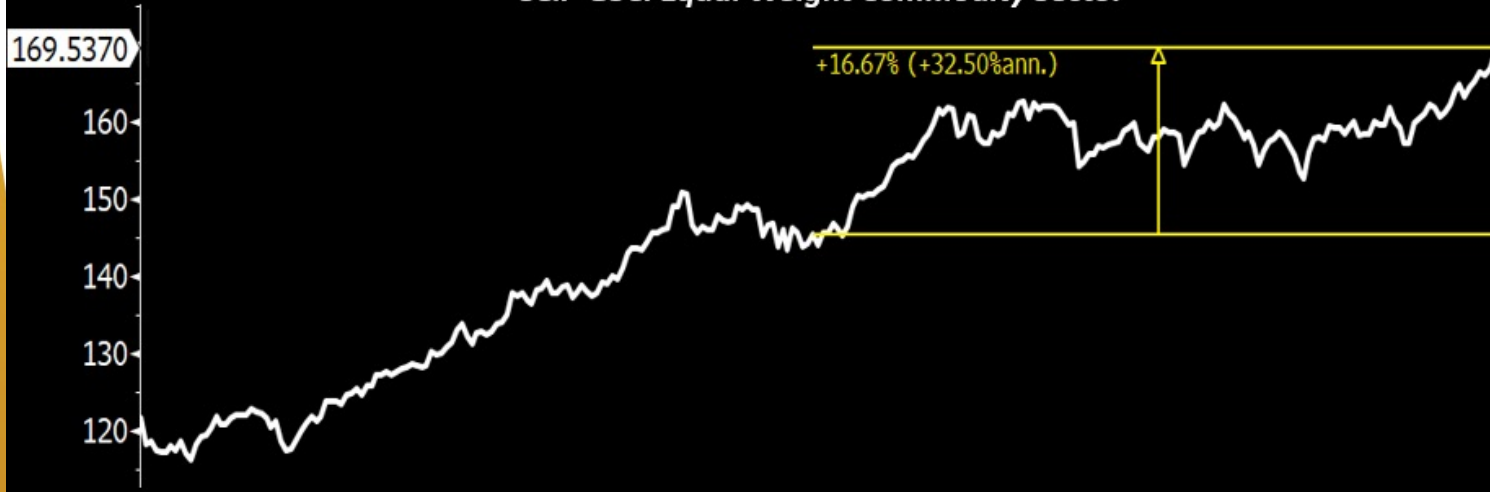
Source: Federal Reserve

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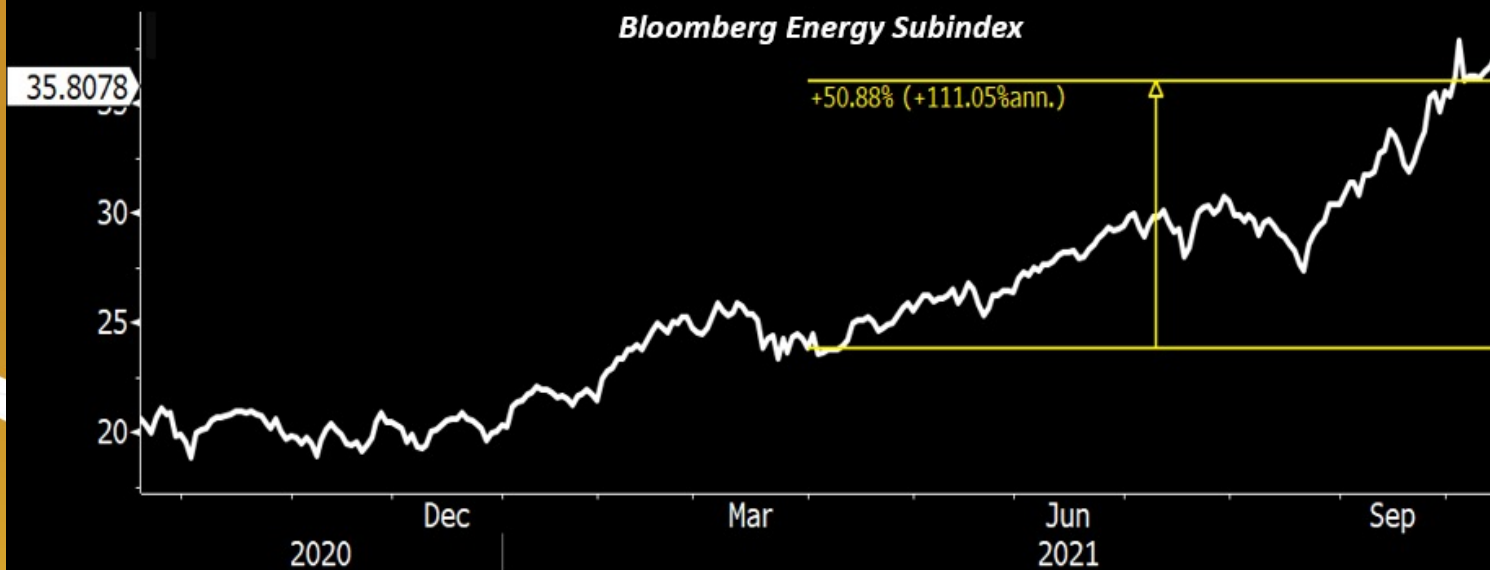


# Commodities' Rally Since the End of the 1<sup>st</sup> Quarter

*S&P GSCI Equal Weight Commodity Sector*



*Bloomberg Energy Subindex*



Source: Bloomberg

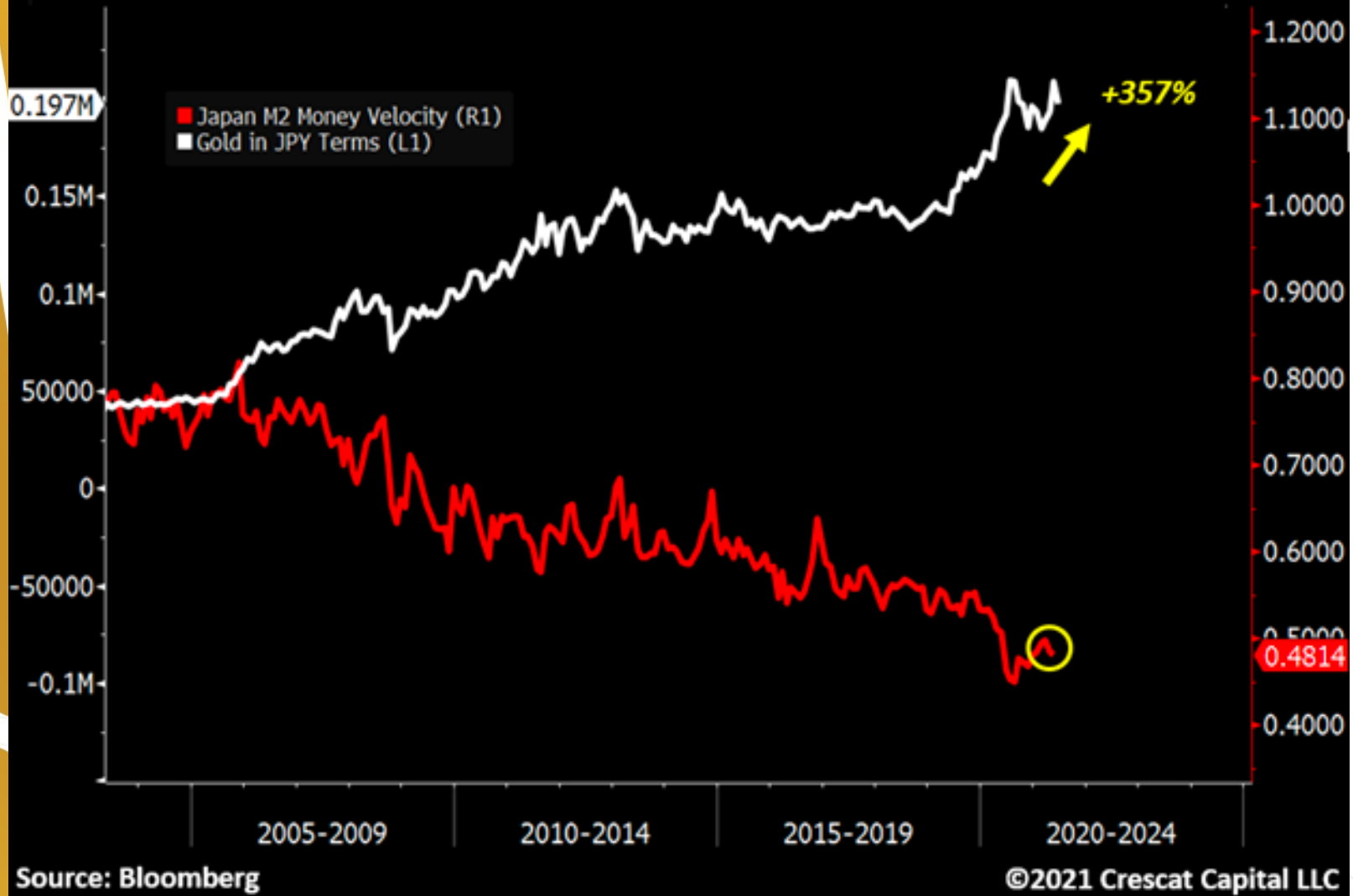
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# **The Deflation Thesis & Optionality For Gold**

# Japan Money Velocity vs. Gold in JPY



Source: Bloomberg

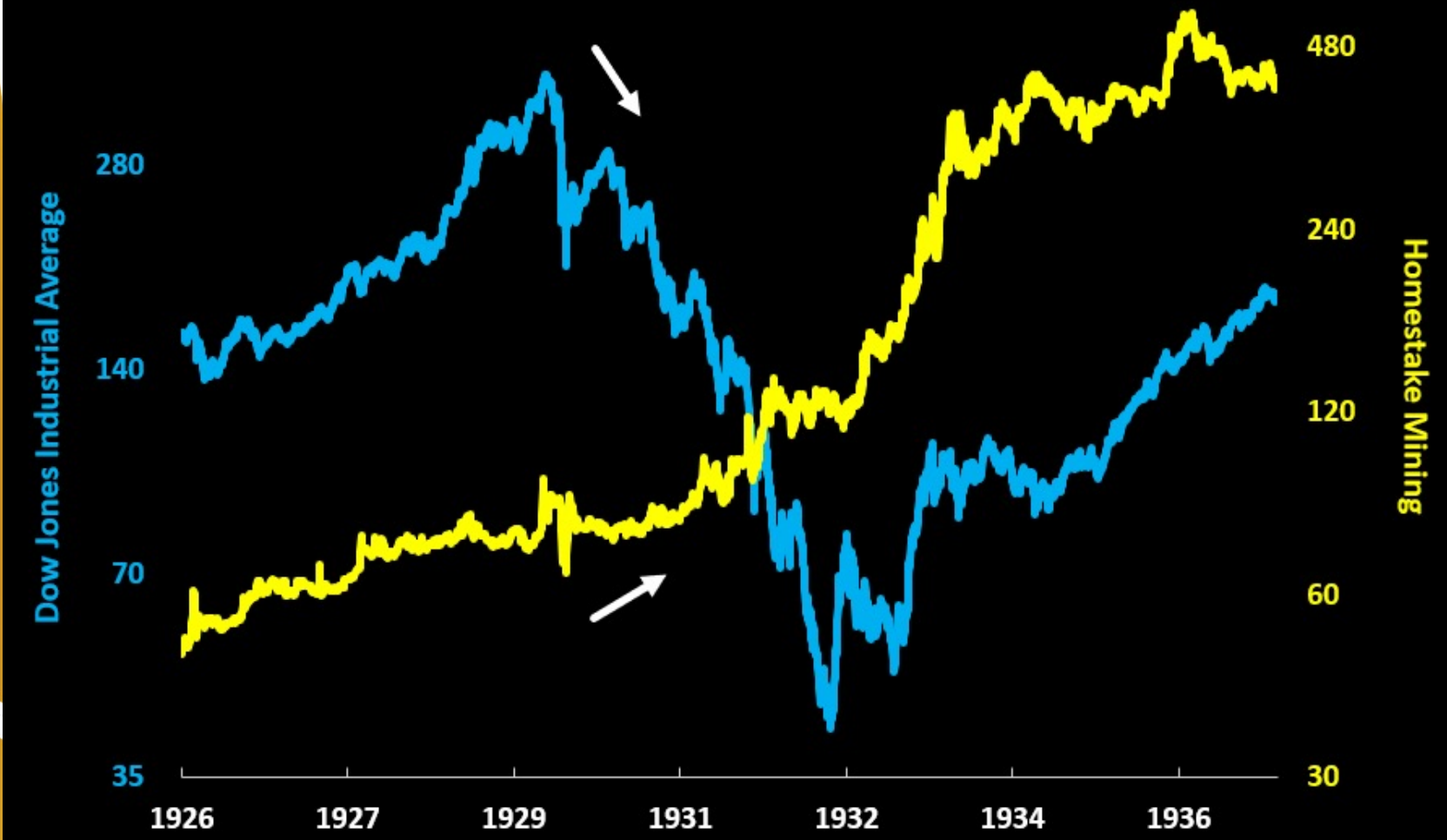
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# Great Depression

*Homestake Mining vs. Dow Jones*



Source: CRSP

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# S&P 500 5-Year Cyclically Adjusted Earnings Yield



Source: Yale University, Robert Shiller

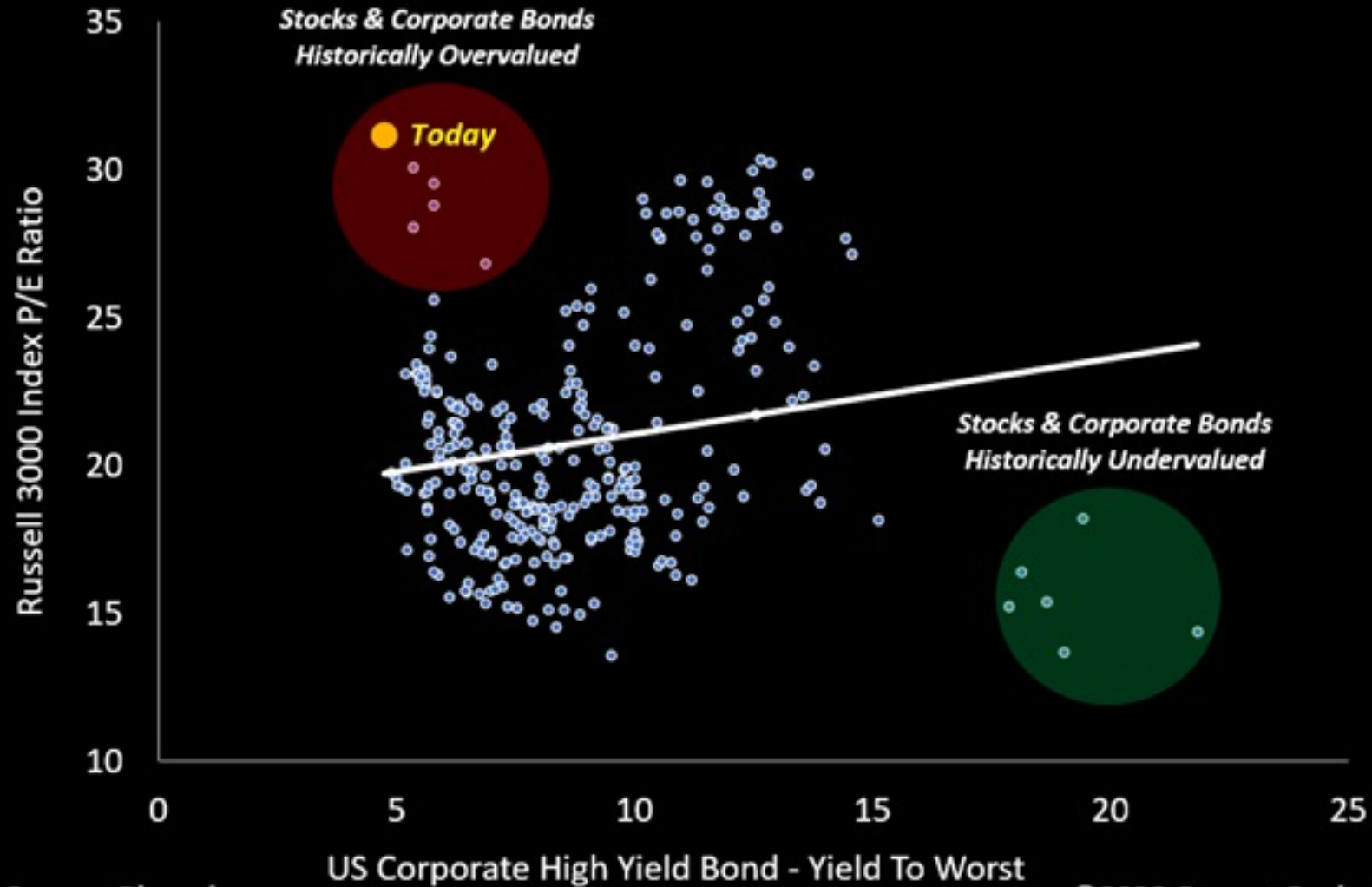
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Market Periods	5-Year Cyclically Adjusted Earnings Yield	Subsequent S&P 500 Performance			
		1-Year	2-Year	3-Year	5-Year
1929 Peak	3.8%	-30%	-59%	-84%	-74%
1937 Peak	3.5%	-37%	-29%	-33%	-51%
Tech Bubble	2.8%	-17%	-26%	-43%	-21%
Average at Peak	3.4%	-28%	-38%	-53%	-49%
Today	2.8%	?	?	?	?





# Valuation of US Stocks vs. Junk Bonds



Source: Bloomberg

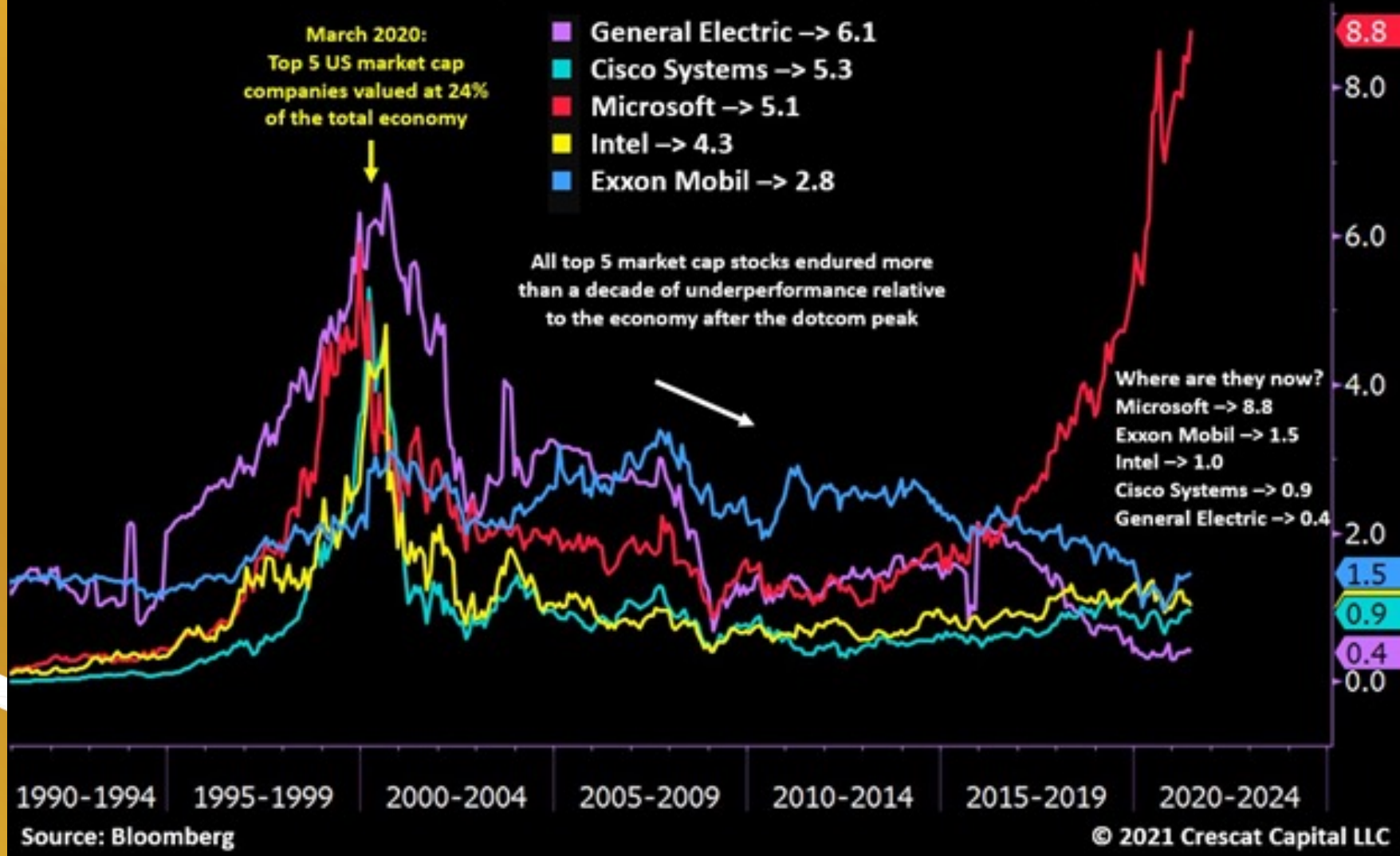
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# Tech Bubble Comparisons

# The Tech Bubble Then

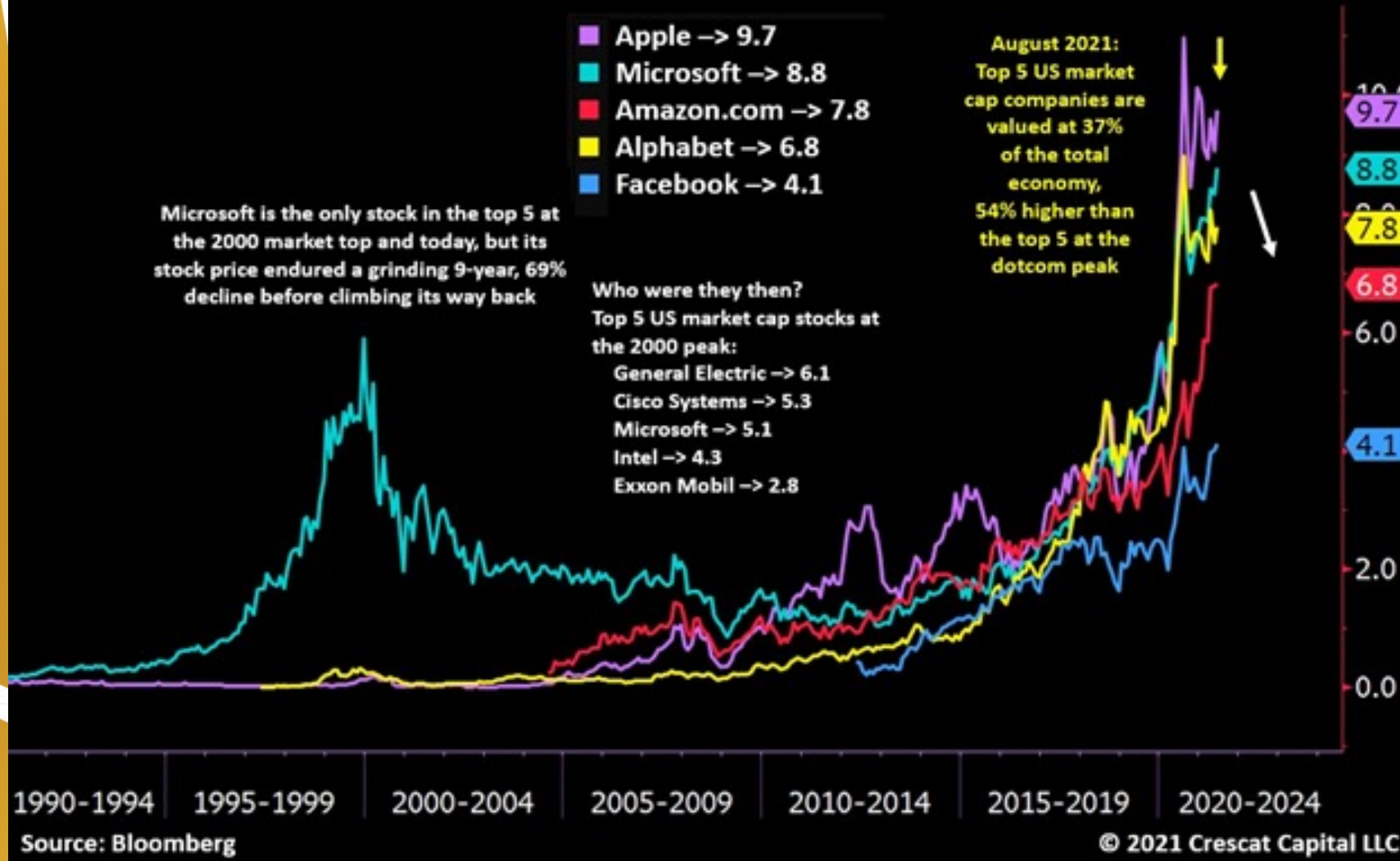
Top 5 US Market Cap Stocks at 2000 Peak: Enterprise Value as % of GDP





# The Tech Bubble Now

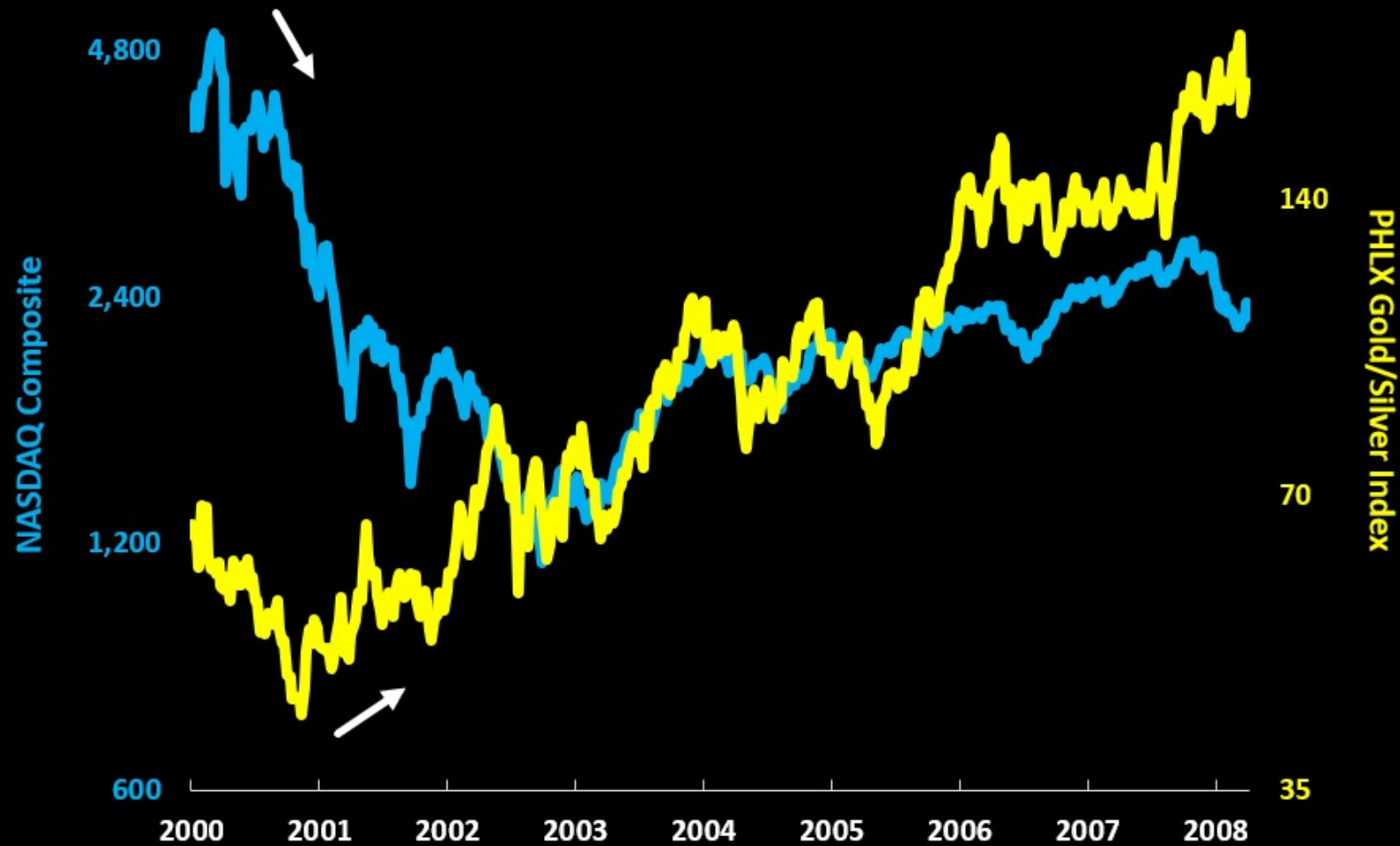
Top 5 US Market Cap Stocks in 2021: Enterprise Value as % of GDP





# Tech Bust

*Philadelphia Gold and Silver Index vs. Nasdaq Composite*



Source: Bloomberg

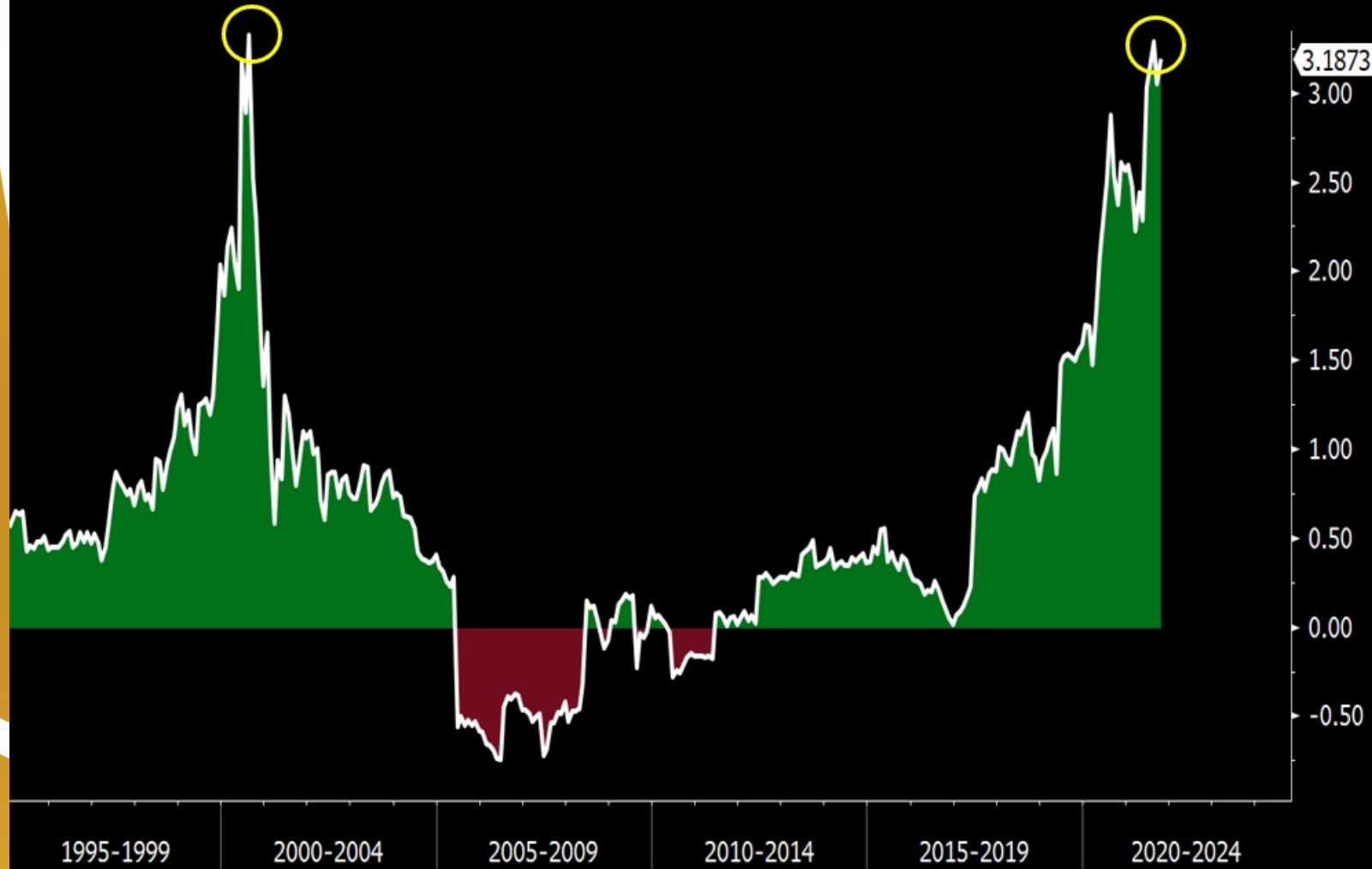
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# Growth vs. Value Stocks

*Russell Growth vs. Value Index: Enterprise Value to Trailing 12-Months Sales Differential*



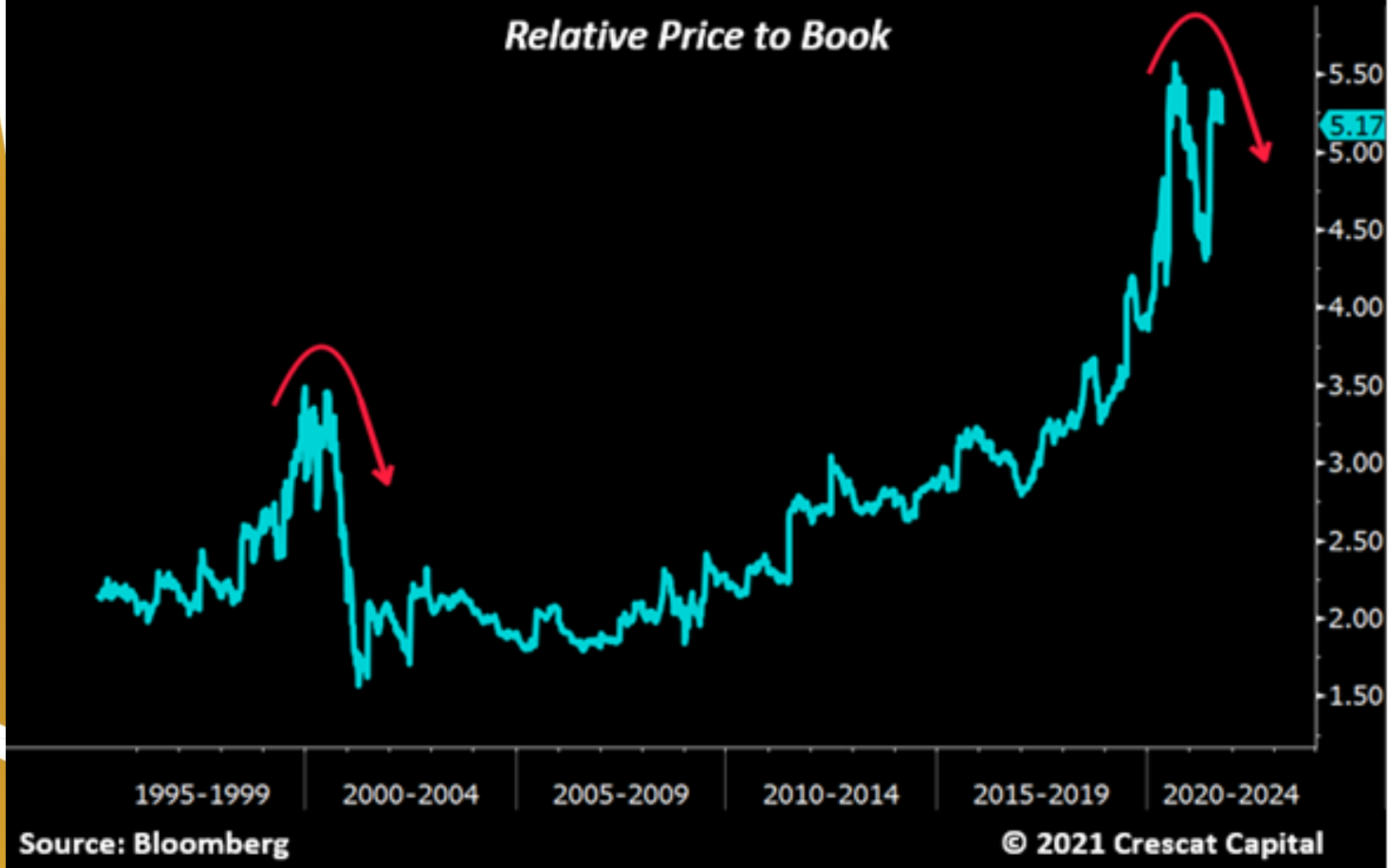
Source: Bloomberg

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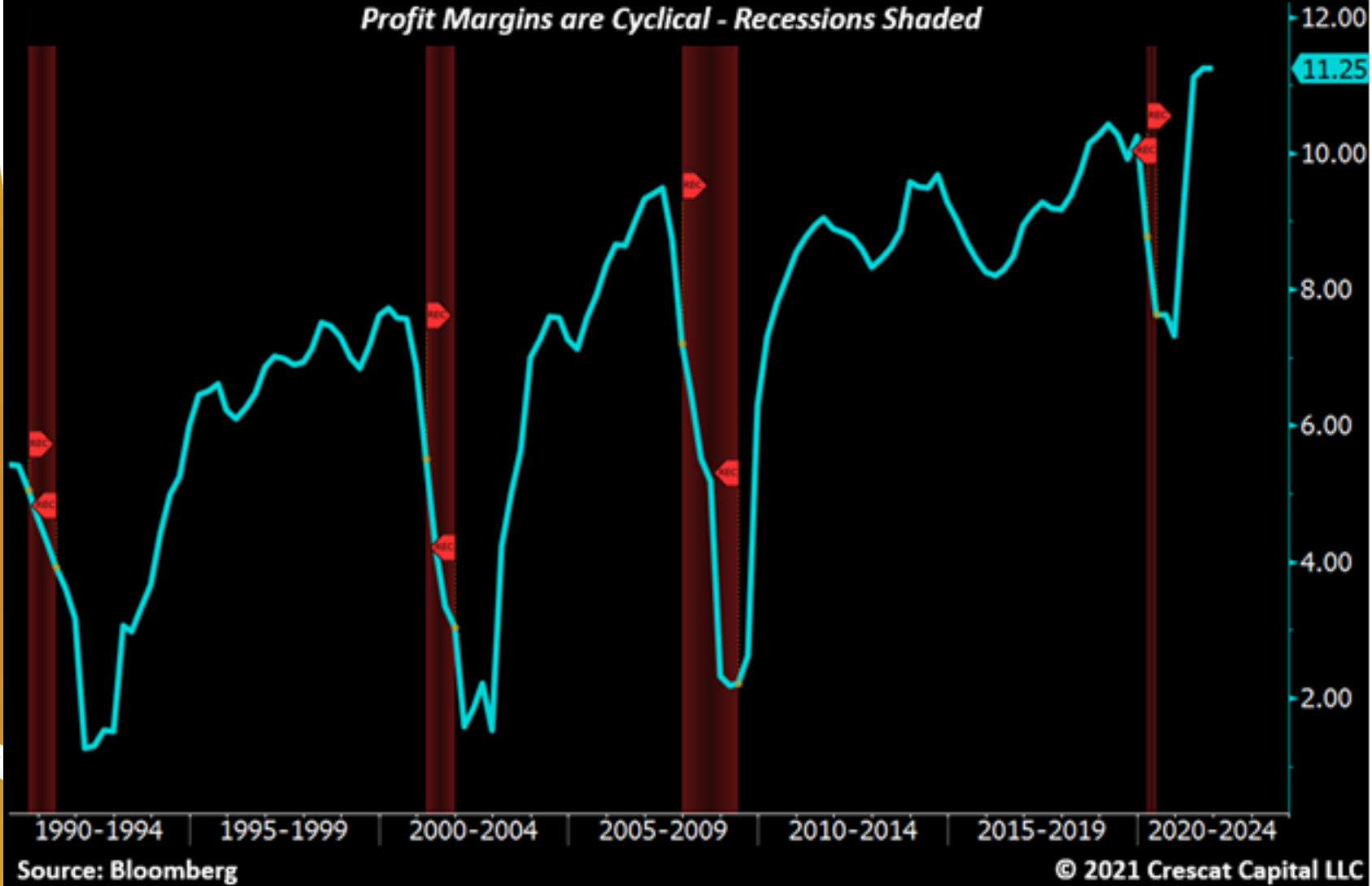
# Russell 1000 Growth vs. Value

*Relative Price to Book*



# S&P 500 Net Profit Margins (Trailing 12m)

*Profit Margins are Cyclical - Recessions Shaded*



Source: Bloomberg

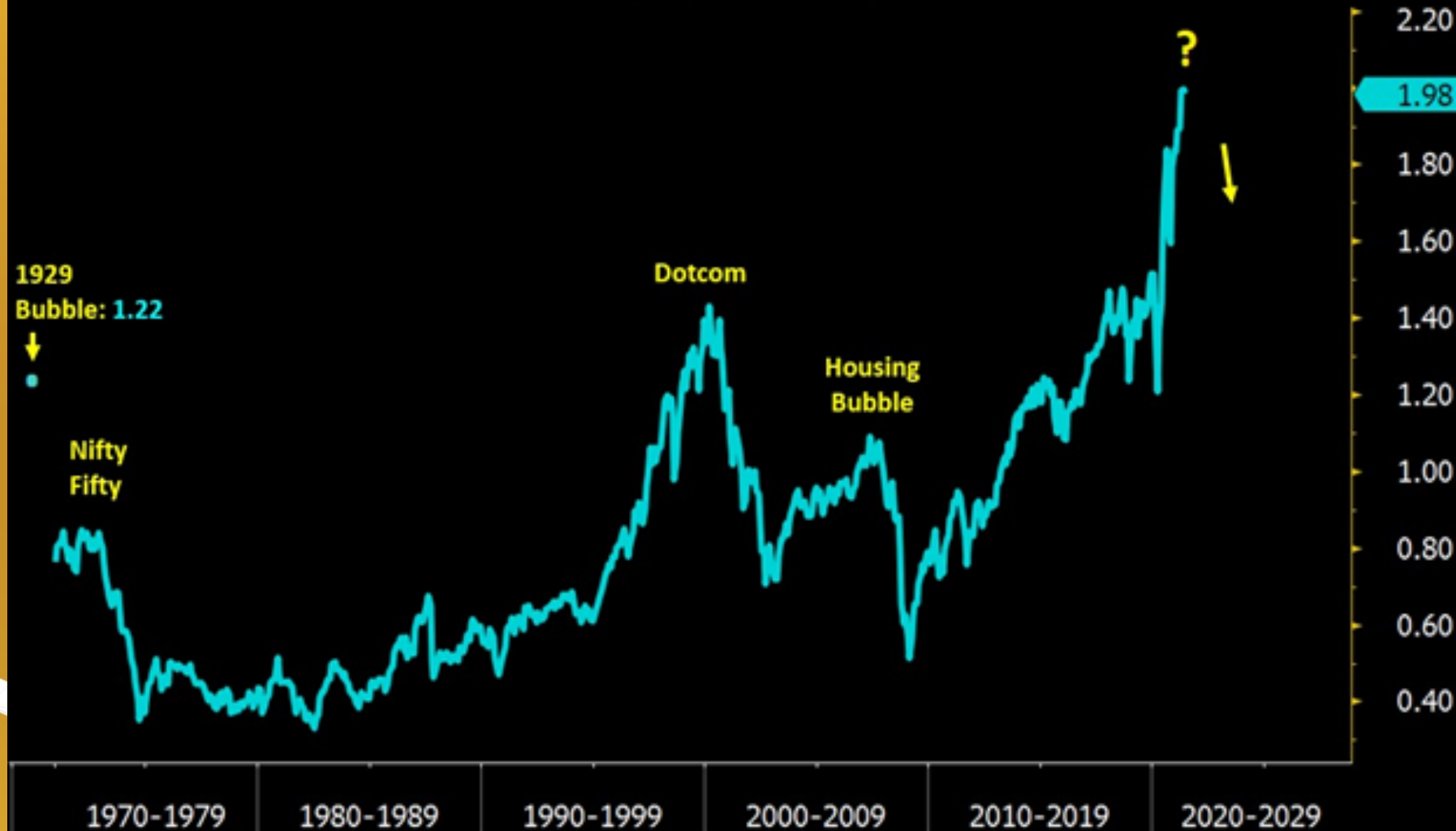
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# America's Biggest Stock Market Manias

US Total Equity Market Cap to GDP



Source: Wilshire Associates, Bloomberg, Global Financial Data

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# S&P 500 Sectors: Performance Since The Pandemic Lows



Source: Bloomberg

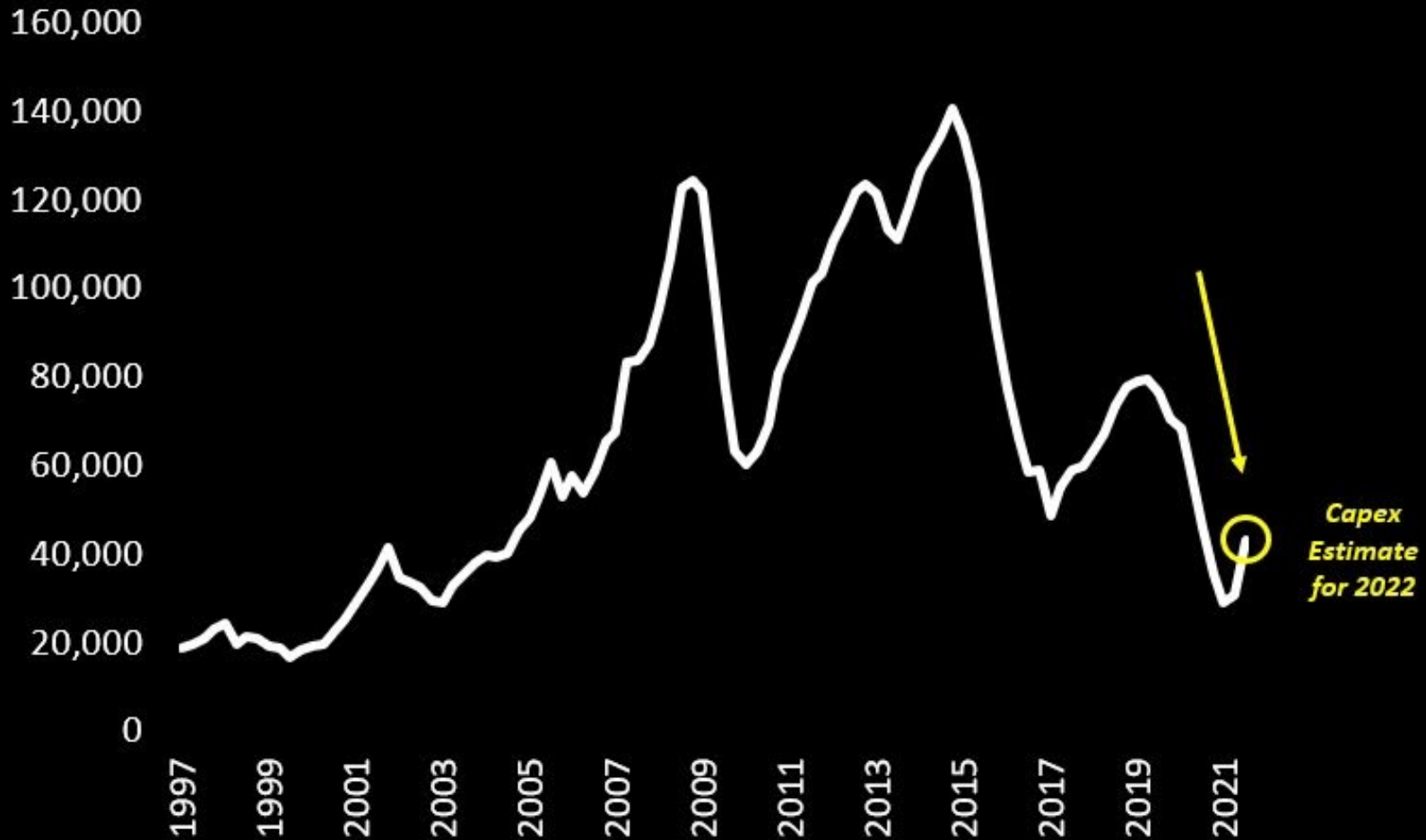
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# The Capex Cycle for Commodities

# US Oil and Gas Exploration & Production

Aggregate Capex in USD Millions



Top 50 E&Ps by Enterprise Value in the US Stock Exchanges

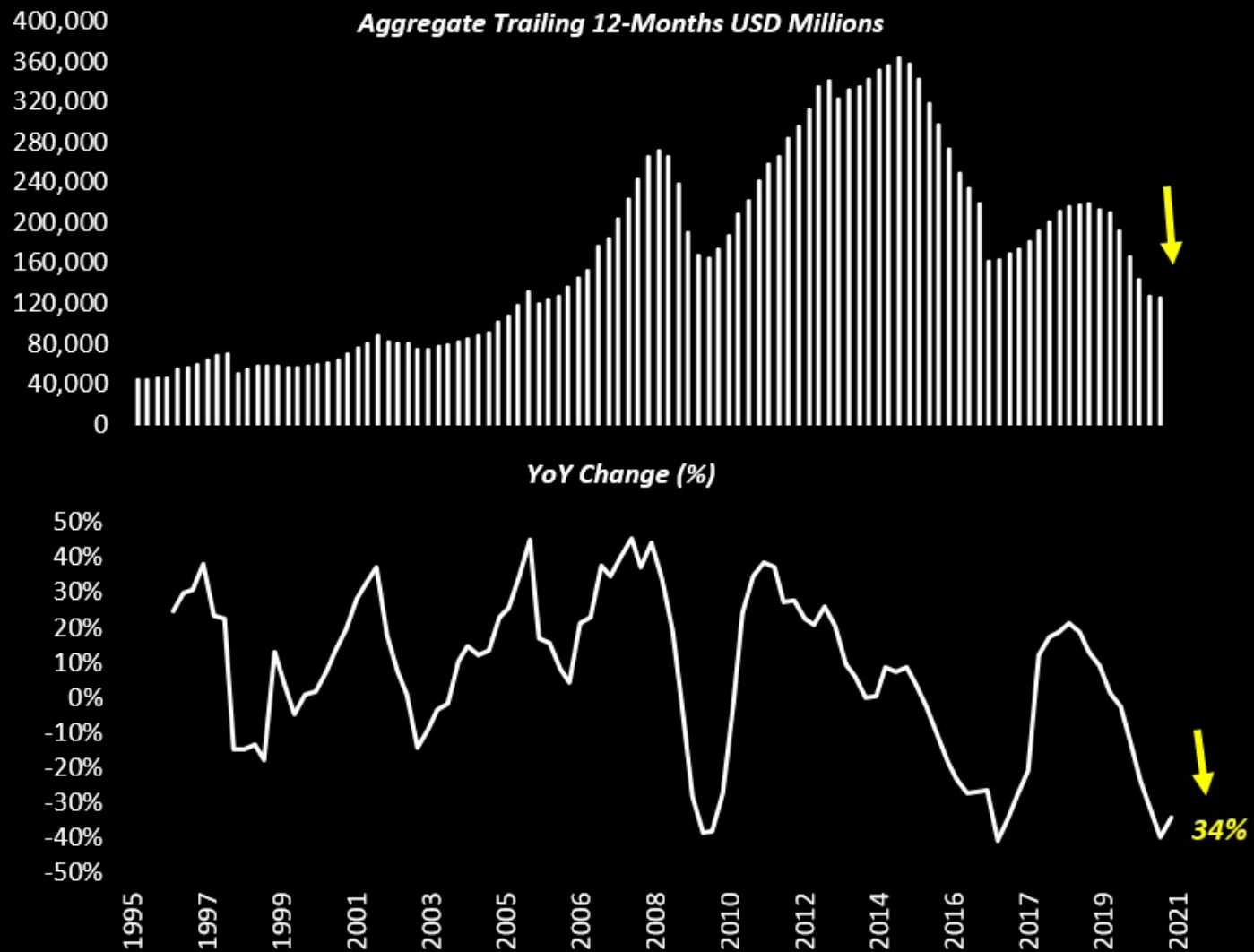
Source: Bloomberg

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# Commodity Producers Capex Cycle



Commodity Producers With Market Cap Above \$1B in the Canadian & US Stock Exchanges

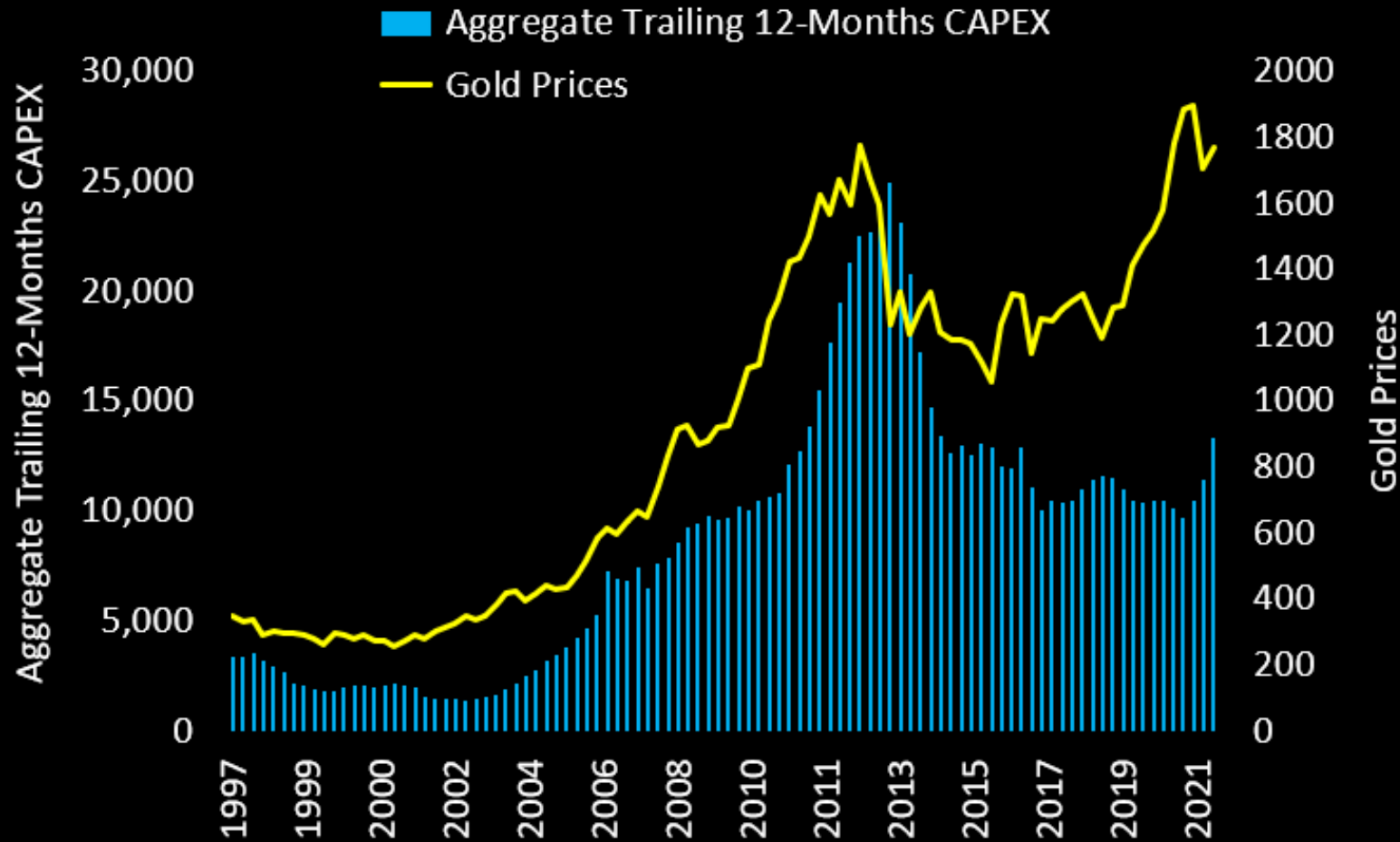
Source: Bloomberg

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# Gold & Silver Miners Capex Cycle



*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 SIJ ETF

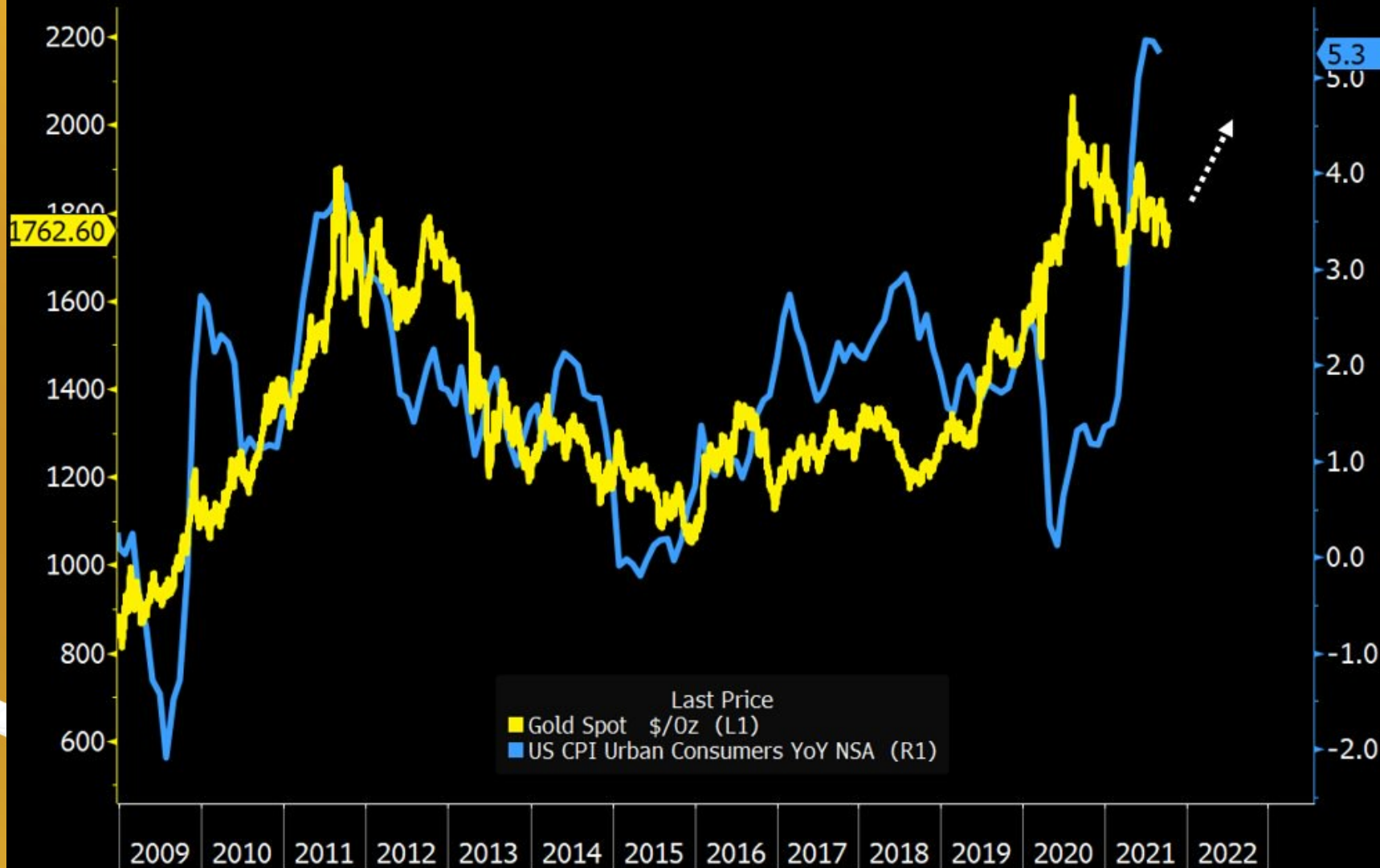
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# The Precious Metals Cycle



# Gold vs. Inflation



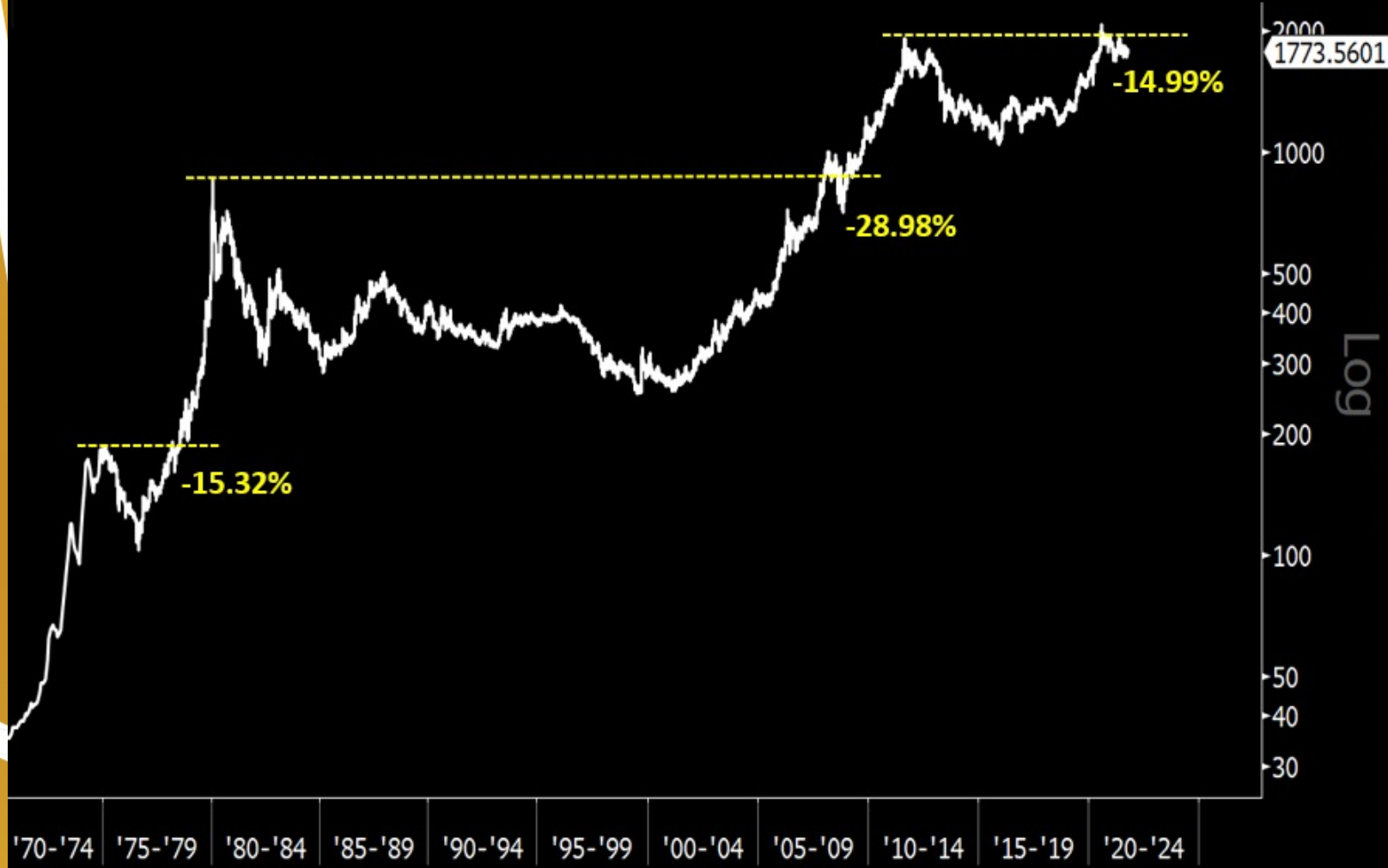
Source: Bloomberg

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# Gold Tends to Struggle After Hitting New Highs



Source: Bloomberg

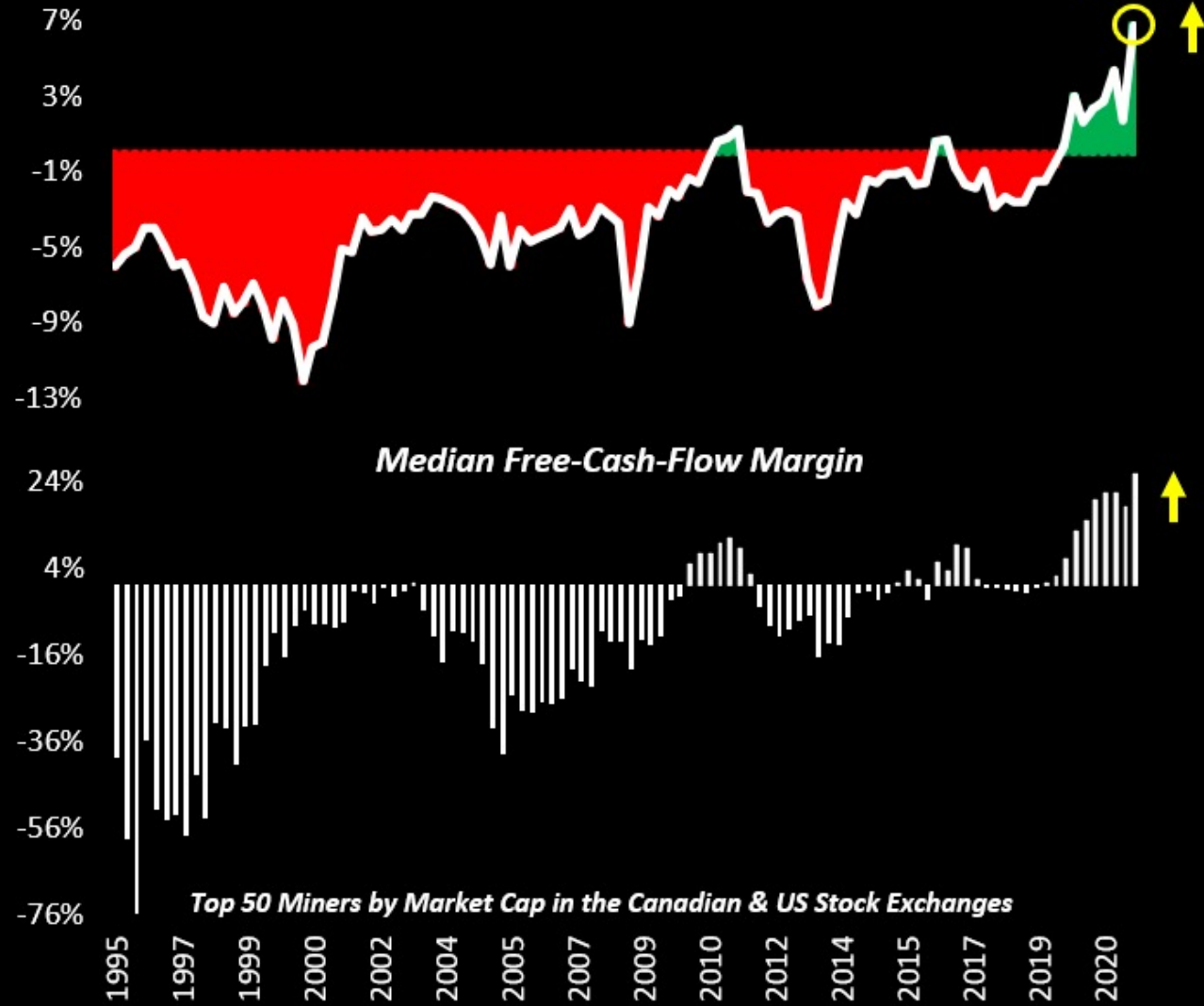
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# Gold & Silver Miners

Median Free-Cash-Flow Yield With Enterprise Value



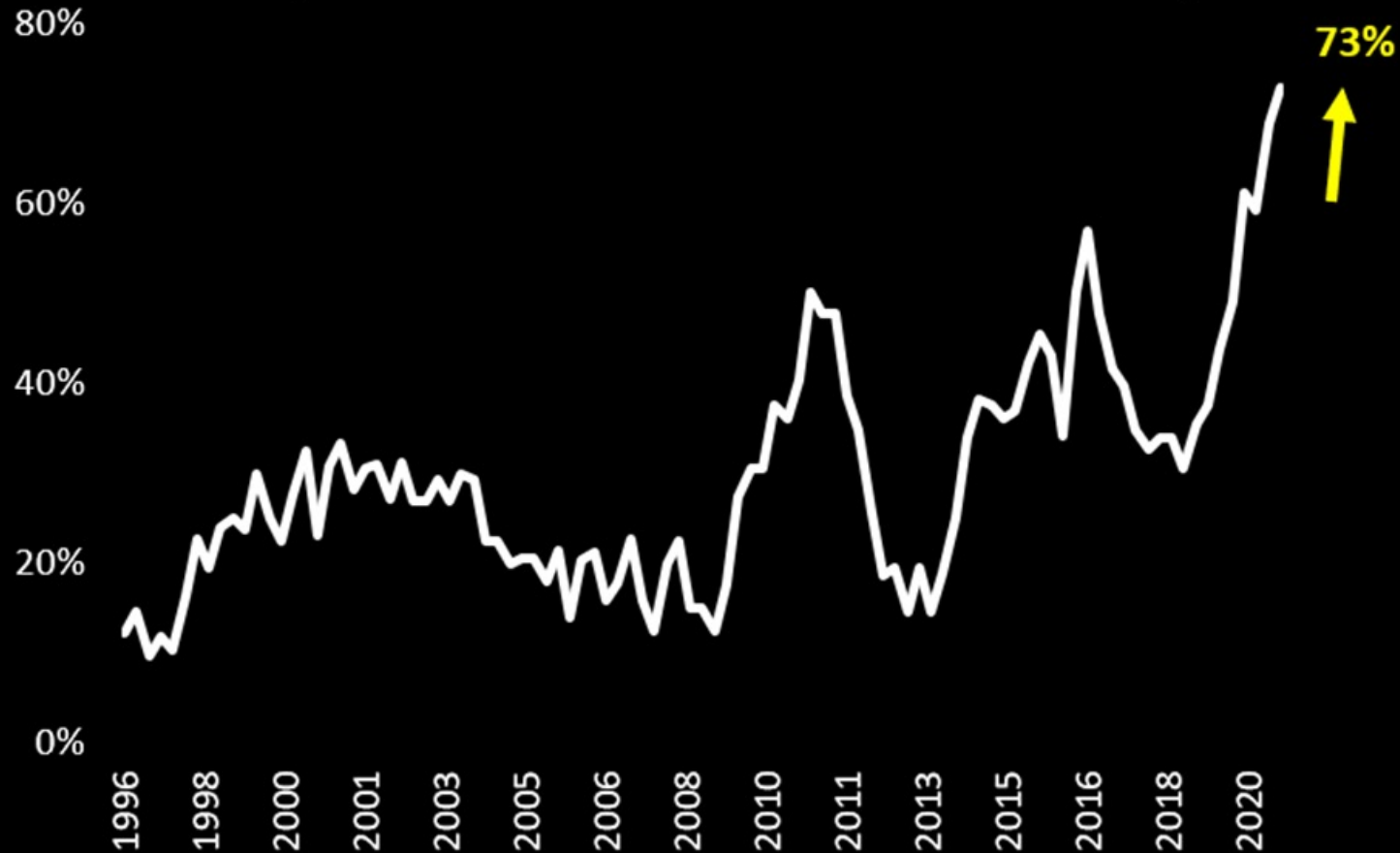
Source: Bloomberg

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# Gold & Silver Miners

*% of Miners With Positive Free-Cash-Flow Annually*



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

Source: Bloomberg

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# Gold & Silver Miners

*Aggregate Net Debt Issuance in USD Millions*



*Aggregate Net Equity Issuance in USD Millions*



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

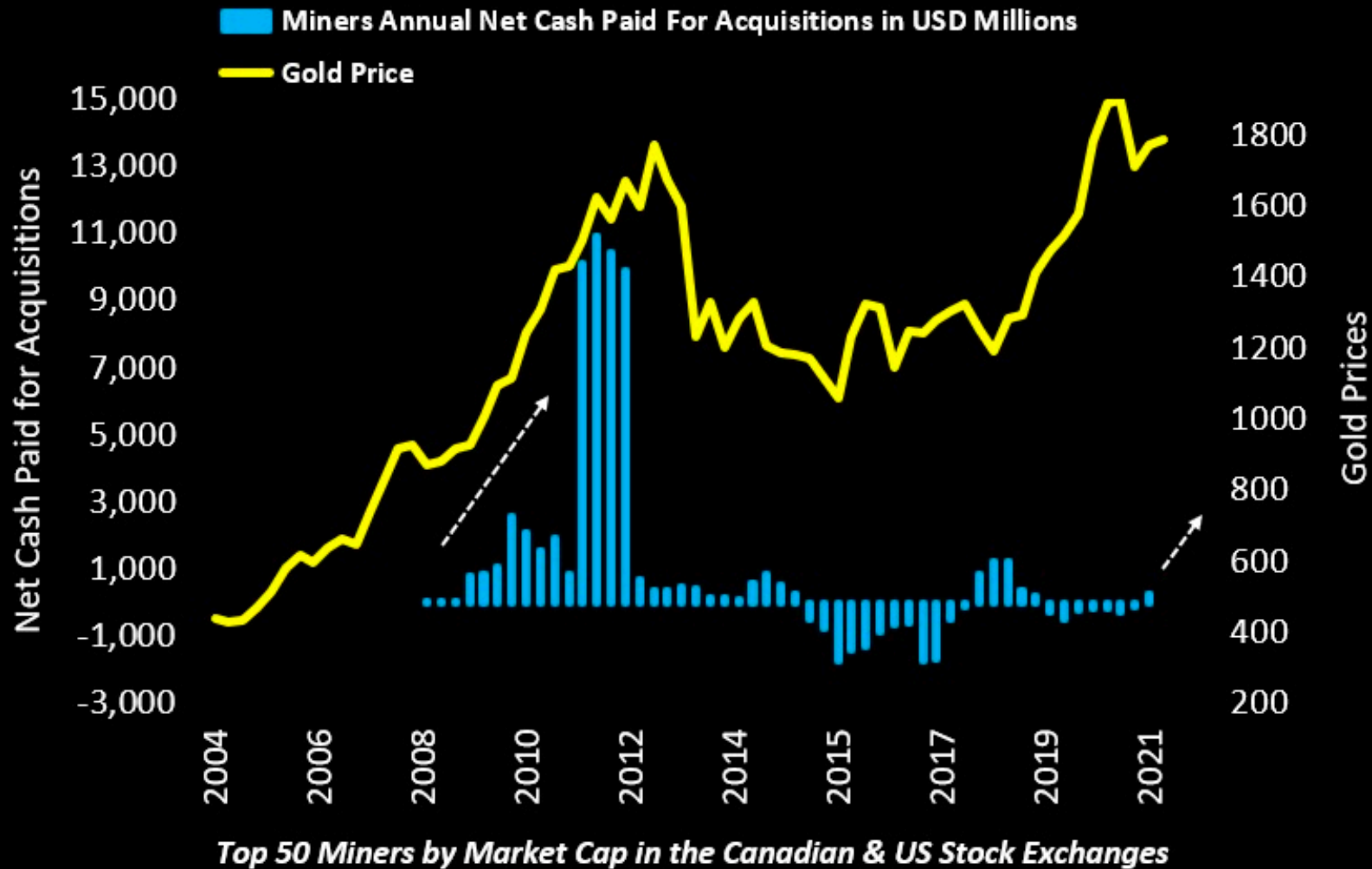


Source: Bloomberg

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# Precious Metals' Miners M&A Cycle



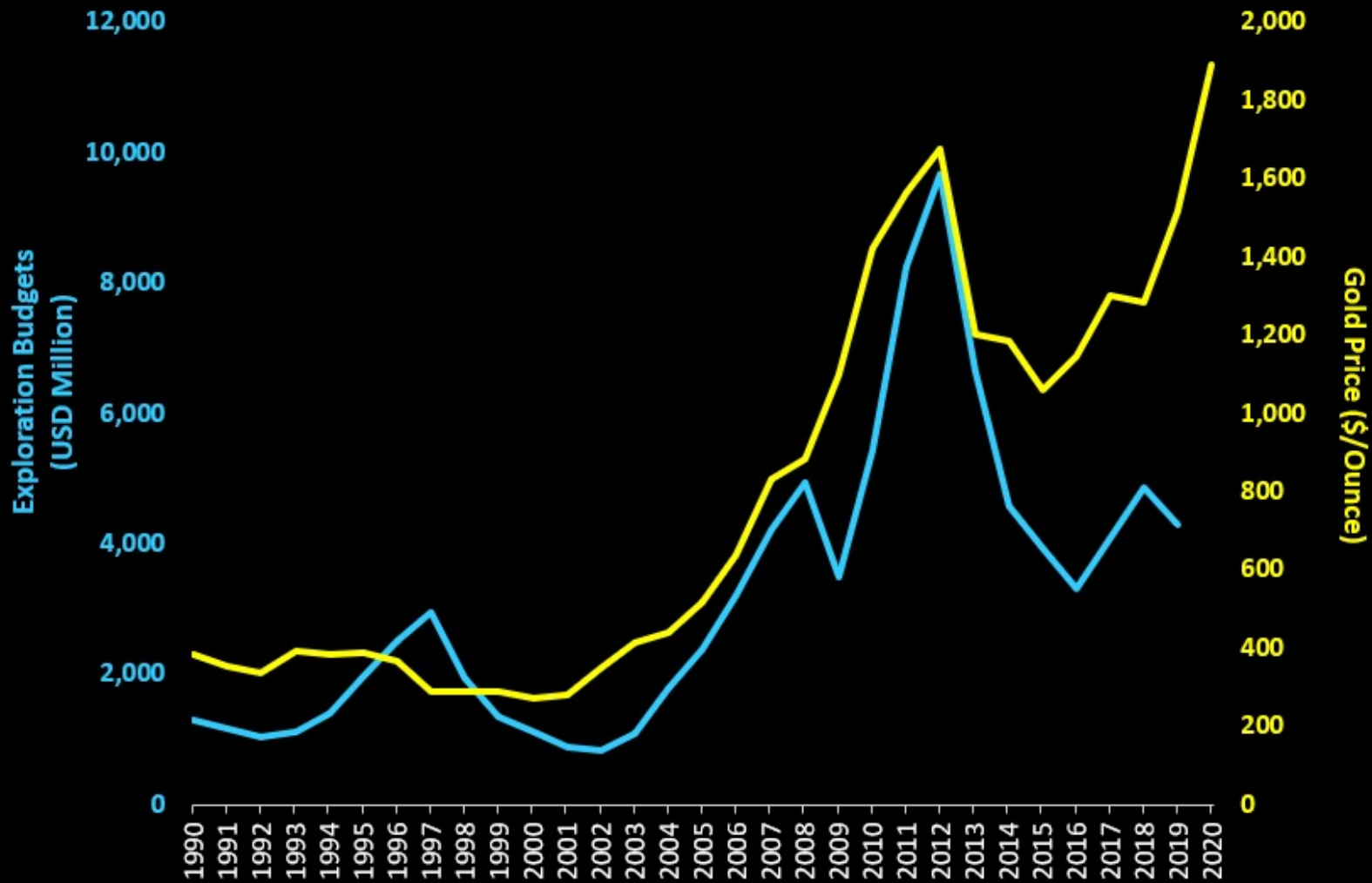
Source: Bloomberg

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# Gold Price vs. Exploration Budgets



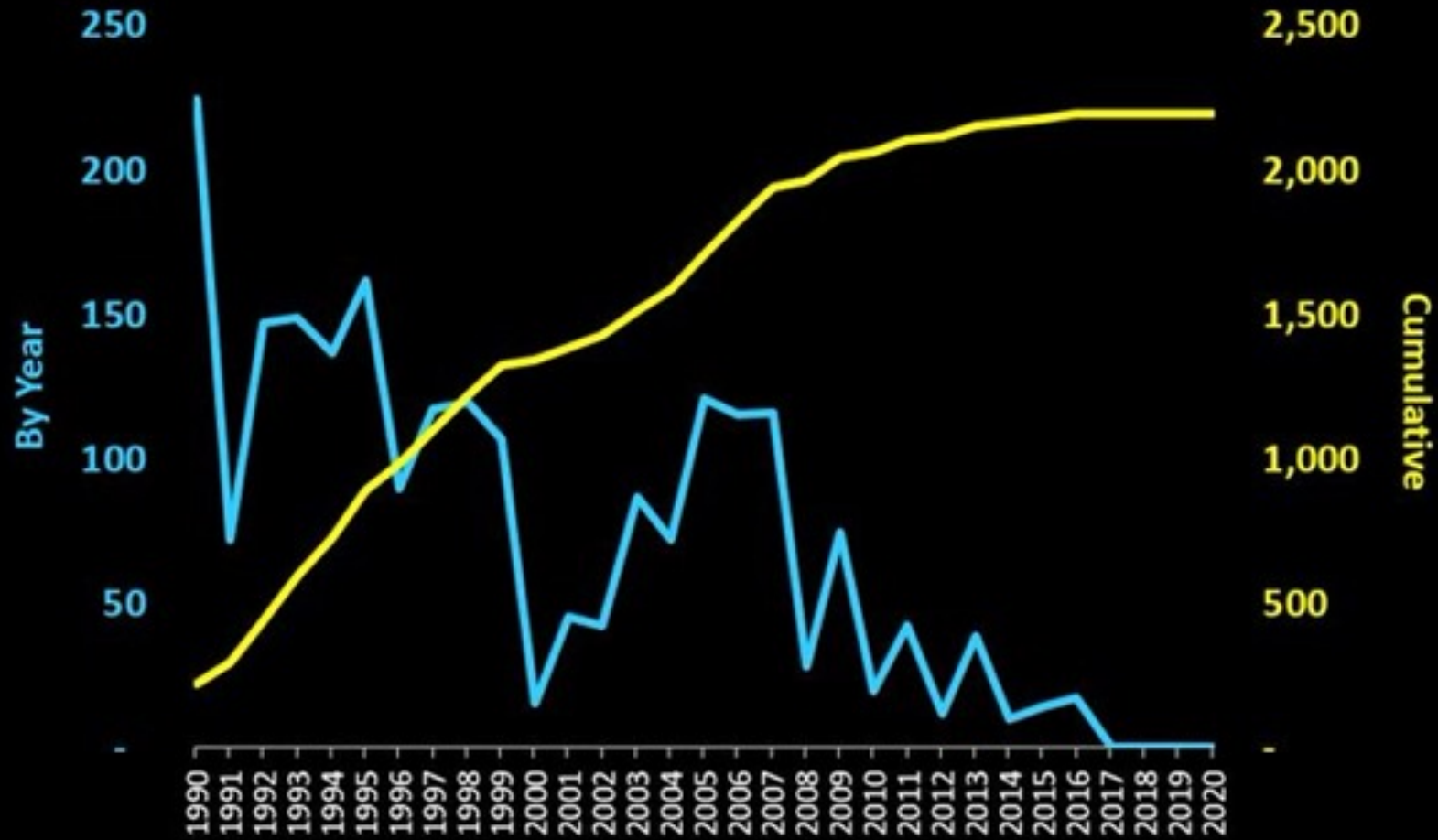
Source: S&P Global Market Intelligence

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# Gold Discoveries

>2M Ounces (Millions of Troy Ounces)



Source: S&P Global Market Intelligence

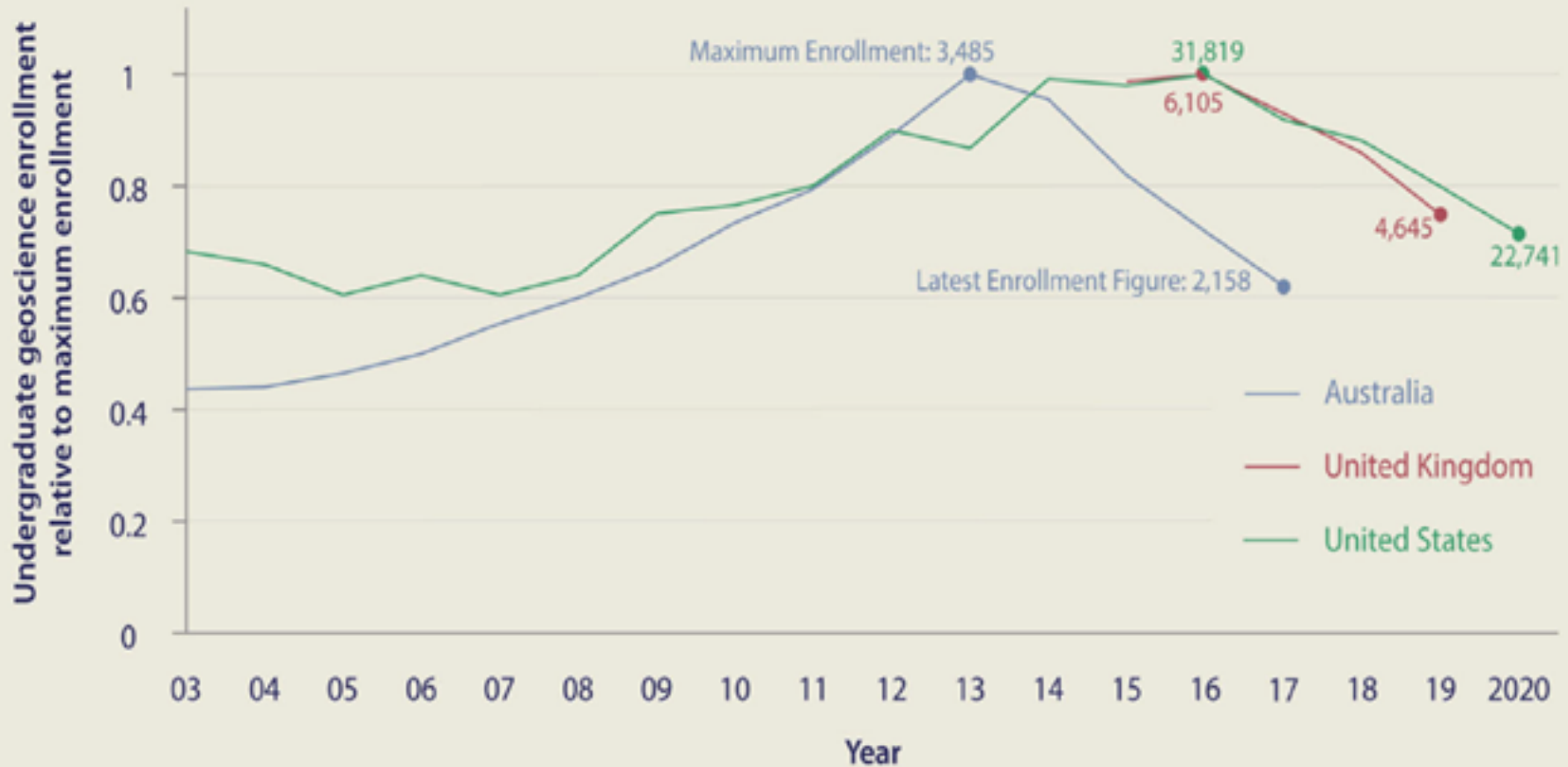
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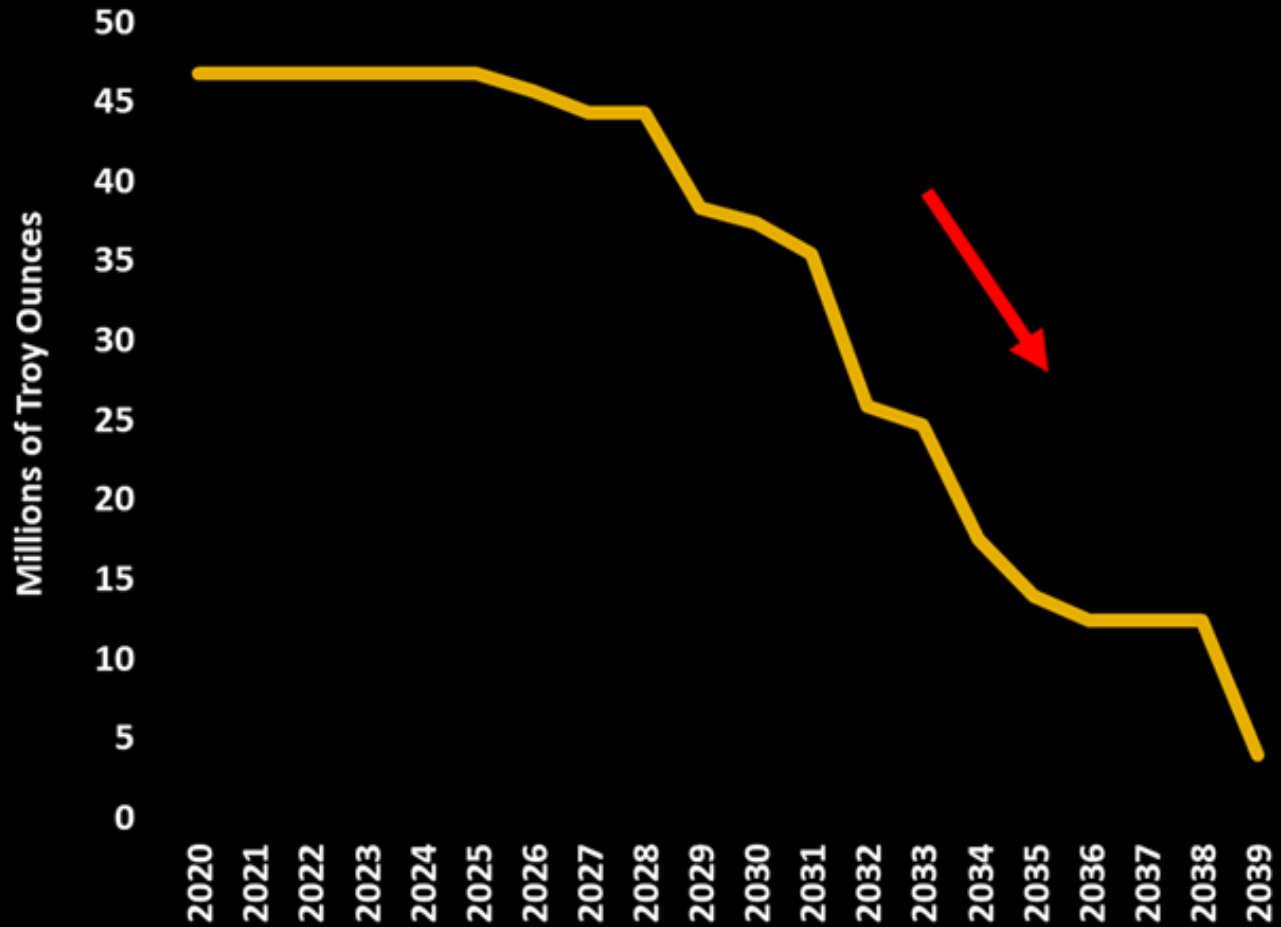
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# GLOBAL TRENDS



# Gold Supply Cliff

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



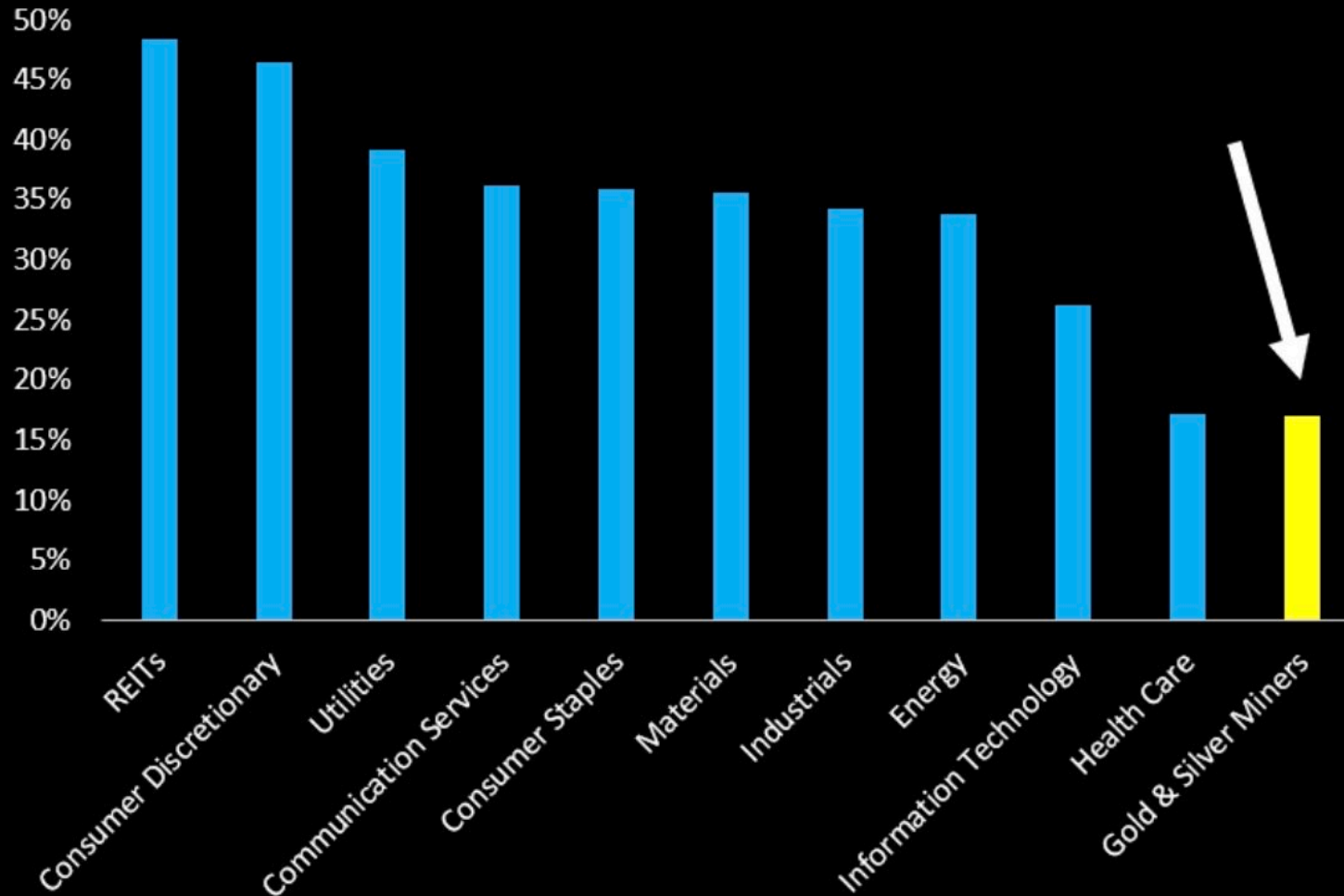
Source: S&P Global Market Intelligence

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# Median Total Debt to Assets Ratio

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



Source: Bloomberg

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# Precious Metals Miners vs. S&P 500

*Free Cash Flow Yield Spread (%)*



Source: Bloomberg

Universe: Philadelphia Stock Exchange Gold and Silver Index

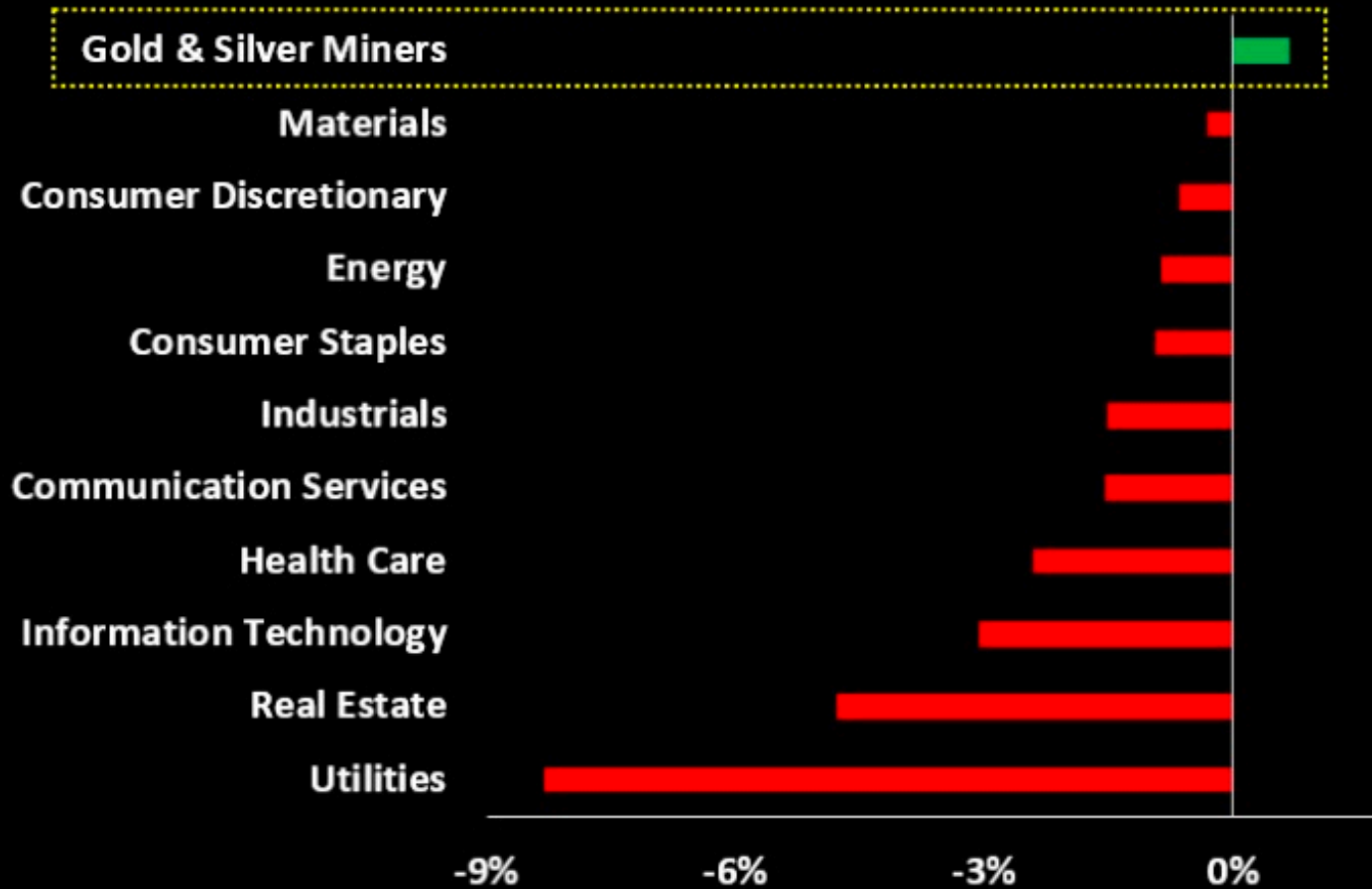
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# Real Free-Cash-Flow Yield by Sector

Aggregate Free-Cash-Flow Yield Net of Consumer Prices Index YoY Change



Source: Bloomberg

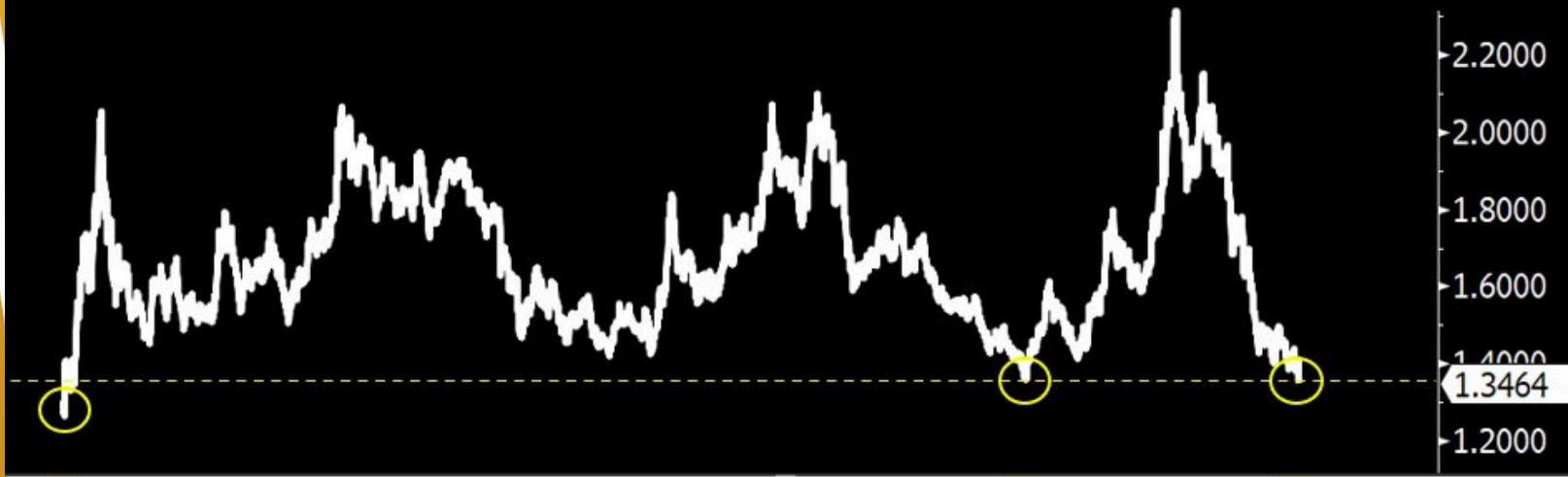
Universe: S&P 500 Sectors Excluding Financials

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# Precious Metals to Commodities Ratio

*Bloomberg Precious Metals Subindex / S&P GSCI Equal Weight Commodity Sector*



Source: Bloomberg

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# Gold to Silver Ratio Remains Historically Elevated



# Gold & Silver Miners

Philadelphia Stock Exchange Gold and Silver Index



Source: Bloomberg

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# Junior Miners Outperforming Precious Metals



Source: Bloomberg

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# Silver vs. Real Interest Rates



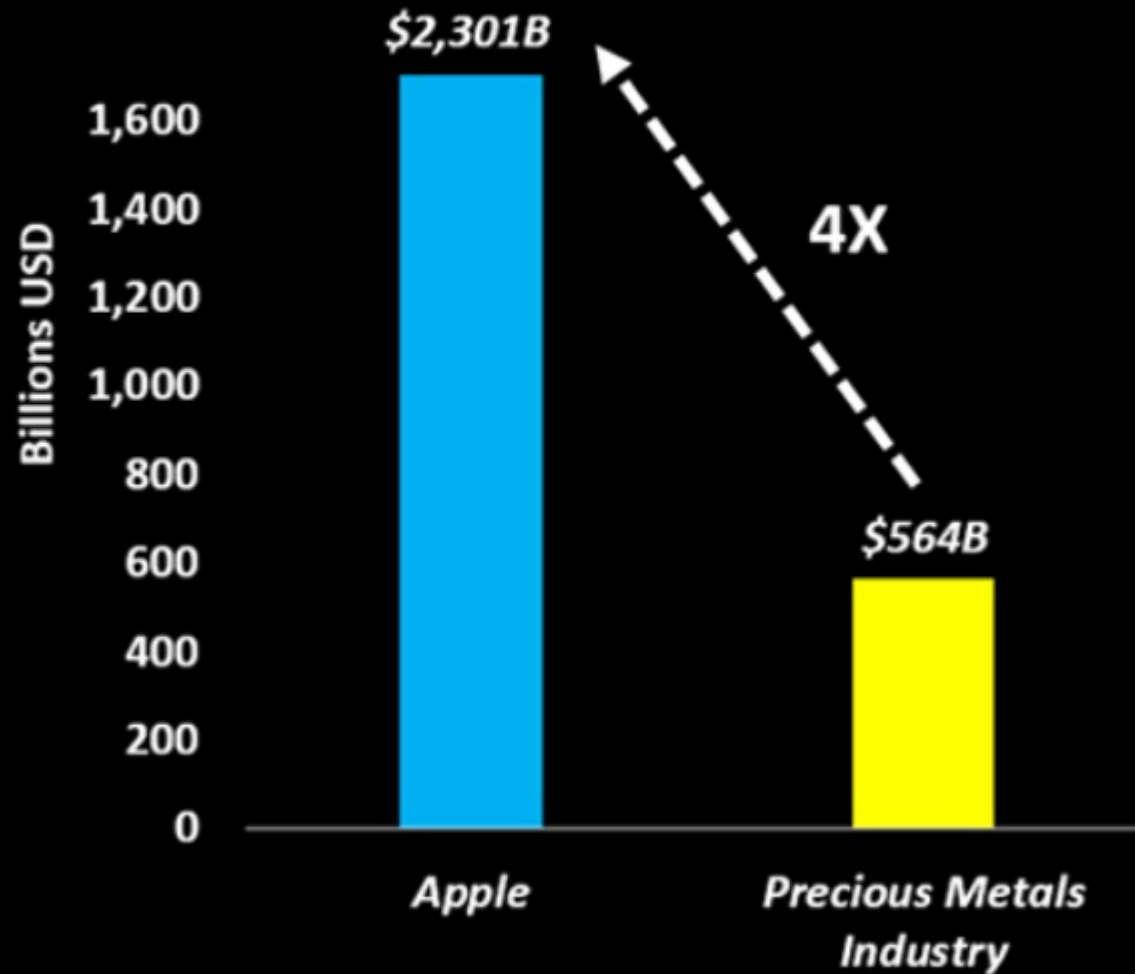
Source: Bloomberg

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# Total Market Cap



Source: Bloomberg

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# Silver to Money Supply

Silver / M2 Money Supply



Source: Bloomberg

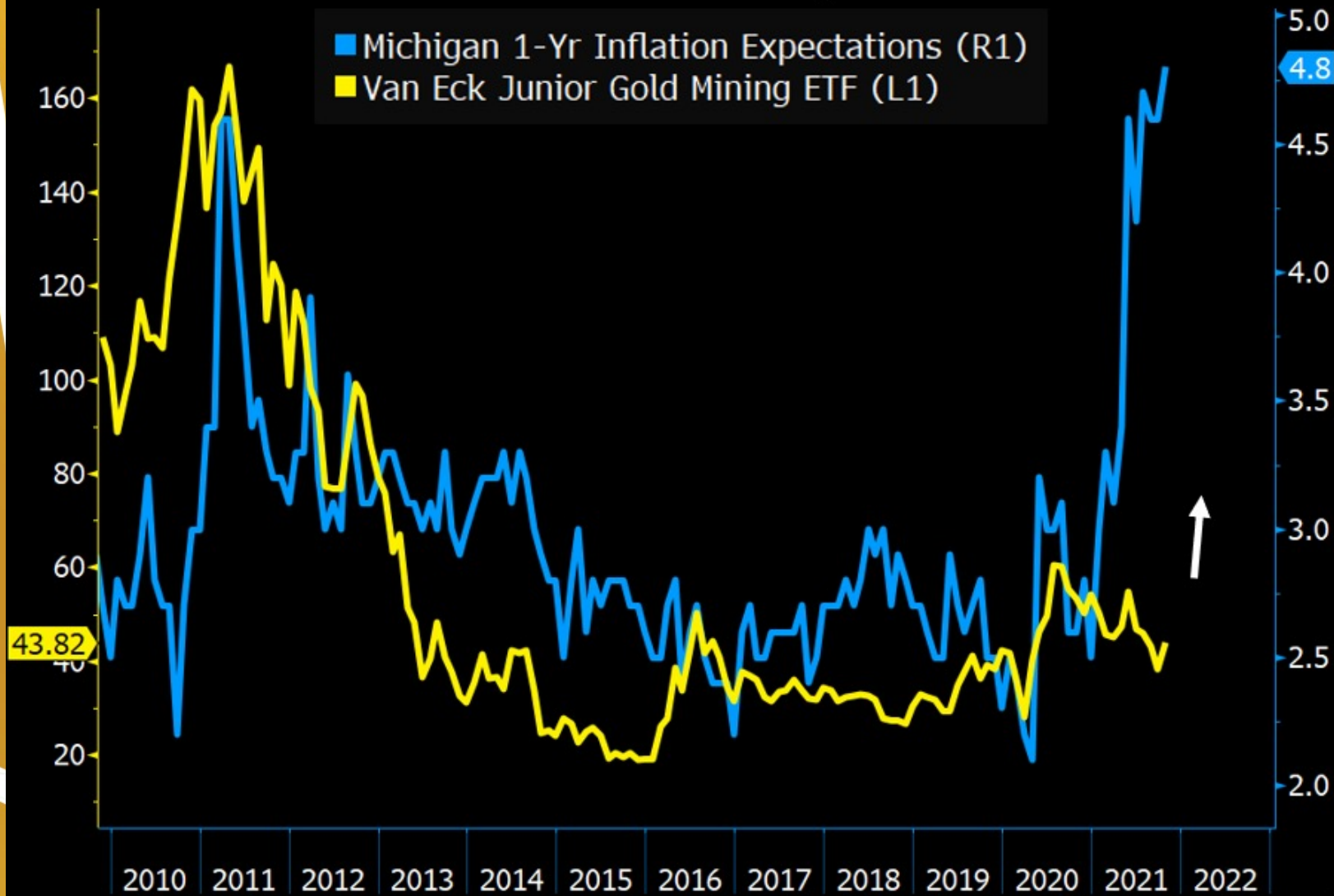
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# GDXJ vs. Inflation Expectations



Source: Bloomberg

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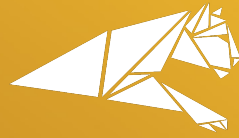


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## CRESCAT STRATEGIES: OCTOBER MTD NET ESTIMATES

<b>Global Macro Hedge Fund</b>	<b>+8.6%</b>
<b>Long/Short Hedge Fund</b>	<b>+6.9%</b>
<b>Precious Metals Hedge Fund</b>	<b>+9.4%</b>
<b>Large Cap SMA</b>	<b>+8.4%</b>
<b>Precious Metals SMA</b>	<b>+8.7%</b>





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