Crescat Capital LLC
44 Cook St. Suite 100
Denver, CO 80206
(303) 271-9997
info@crescat.net
www.crescat.net

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Dear Investors:

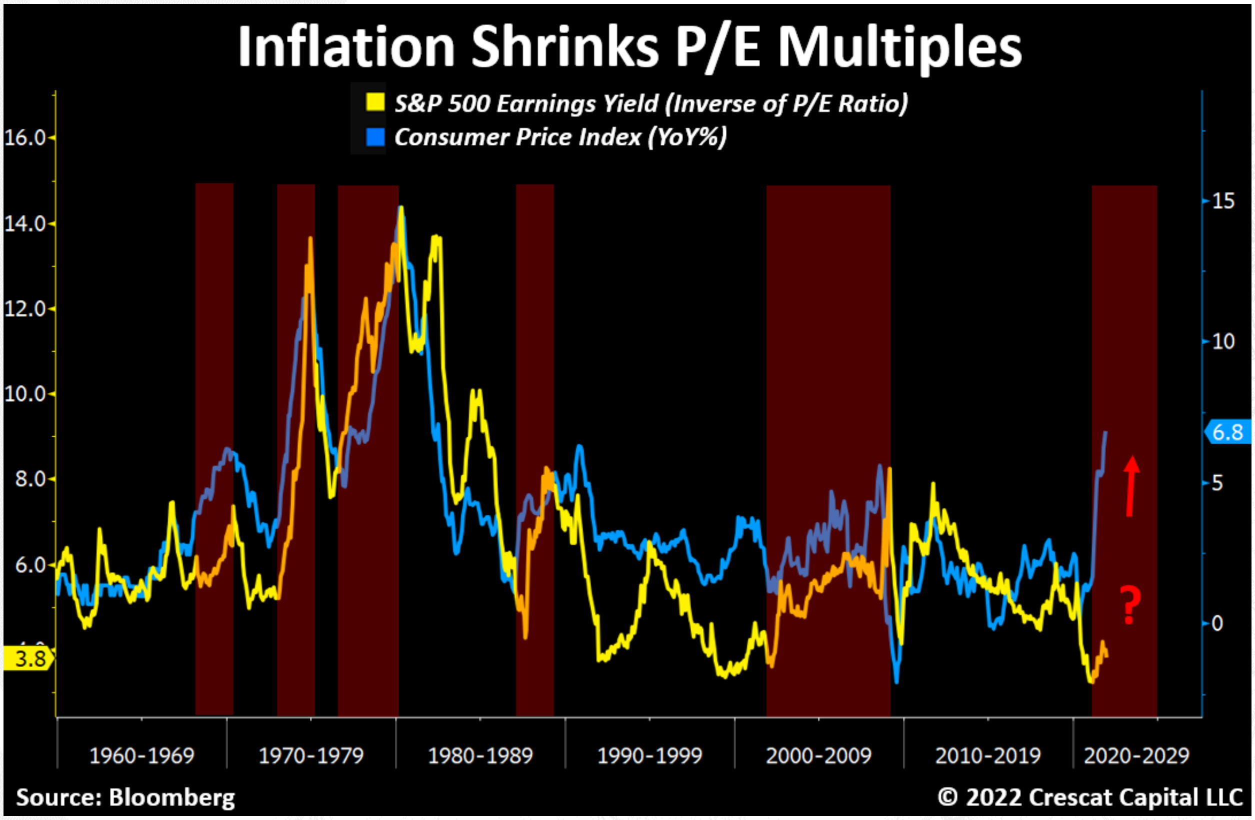
The Year of the Great Rotation

Welcome to 2022. More than ever, we believe it is time to get out with the old and in with the new.

At Crescat, we believe investors today face a twofold problem:

1. The imperative to not get sucked into a financial asset bubble destined to implode.
2. The need to outpace structurally rising inflation.

Starting from historically stretched valuations, inflation is the catalyst that can and should both crush price-to-earnings multiples and lead to rising interest rates. It can be especially destructive to overpriced large cap growth and mega-cap tach stocks.



As an overarching macro investment theme at Crescat today, we have been preparing for the Great Rotation. We believe this theme is a tectonic shift out of hyper-overvalued, long-duration financial assets and into a narrower undervalued segment of the market that is focused on the tangible assets at the core of the global economy. It is a collision of macro worldviews and investment flows with one much larger crowded pool of assets ready to swamp the other tiny one to only further ignite the inflationary catalyst, a feedback loop of monumental proportion.

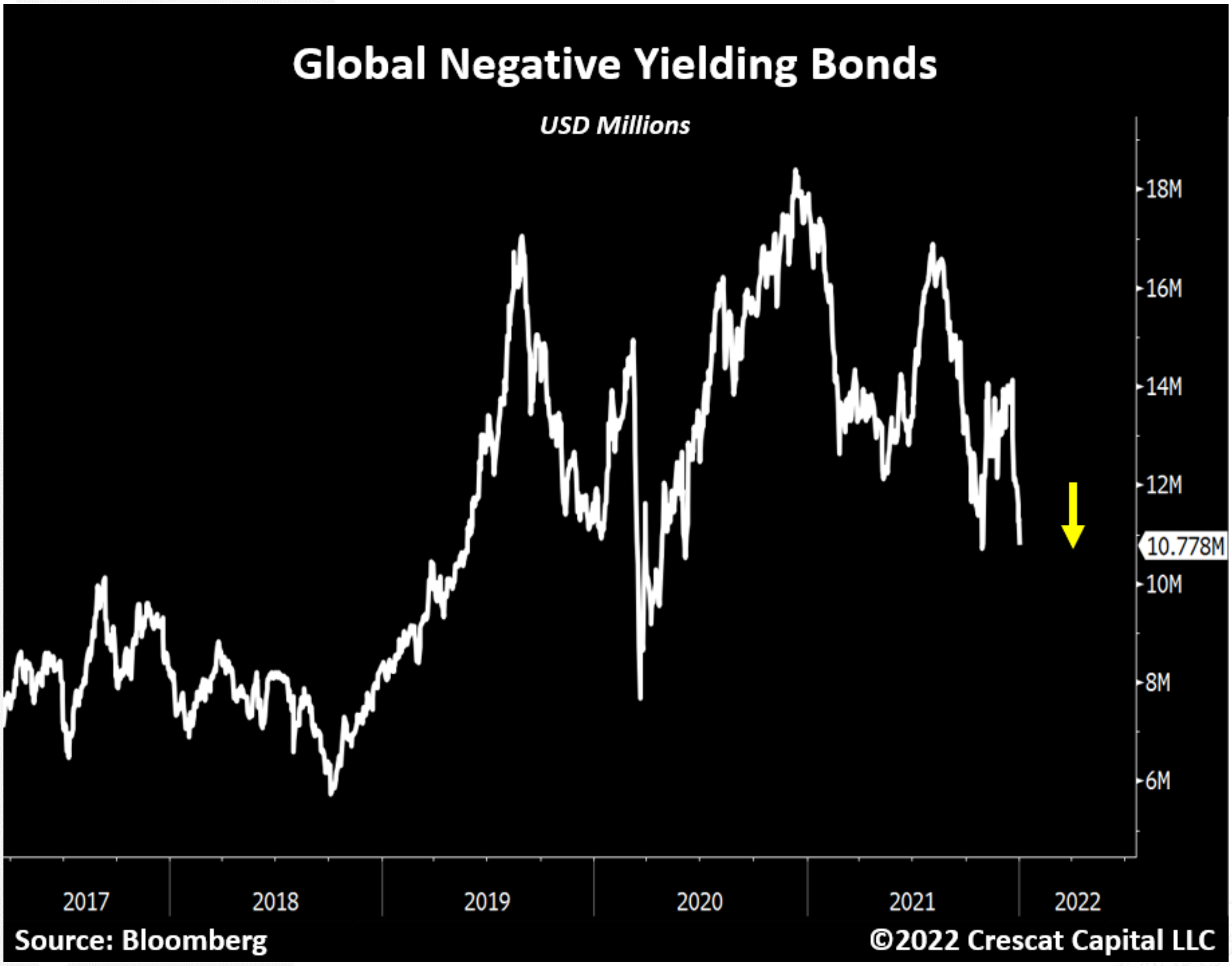
2021 was a year where we saw glimpses under the surface of this transition beginning. But overall, the imbalances only grew more extreme. The economy is not on sound footing for a new economic expansion because there has been no purging of the valuation excesses from the last cycle.

At Crescat, we remain dedicated to applying macro and value investing principles to growing and protecting wealth for our clients over the long term. We have honestly never been more excited about our positioning and the opportunity to deliver solid inflation beating returns on both the long and short side of our portfolios in the coming months and years.

A Change Already Underway in 2022

Right from the starting gun of 2022, the US 10-year yield broke out to the upside from a 3-year resistance. Multiple macro forces are behind this rise in nominal rates. Among the most important ones, the flood of long-dated Treasury issuances is what truly concerns us. As we have explained in prior letters, this dynamic is part of a transition that the US government is undertaking by rolling maturing short-term Treasuries into long term debt instruments as it prepares to inflate out of an unsustainable debt problem. Just in the last 3 months, we saw almost $600 billion of Treasury bonds and notes being issued. Meanwhile, as inflation continues to prove to be more persistent than it initially expected, the financier to the current fiscal imprudence aims to tighten the reins. The Fed has been responsible for about 35 to 40% of new Treasury issuances in the last months. Without them as the lender of last resort, we believe the Treasury market will be facing a major supply-demand mismatch.

For the first time in a very long-time we are seeing a significant increase in cost of capital unfolding across developed economies. The outstanding value of negative yielding bonds has drastically decreased worldwide, peaking in December 2020 at $18.3 trillion. It is now in free-fall, back to $10.7 trillion.



This is an important part of the macro regime change that we have been calling for. It is a hostile market environment for long-duration assets that currently trade at historical multiples, i.e., tech stocks. These companies have rejoiced from a disinflationary setup for decades and are ripe to be re-rated at significantly lower prices in our view.

Software companies, for instance, have already started to price in this market risk. As part of Russell 3000 index, the median performance for software and technology services is now down 27% from its 52-week moving average. Outside of the technology sector, non-profitable businesses like biotechnology companies are also suffering tremendously from this major rotation out of long-duration assets. In fact, the SPDR S&P Biotech ETF, XBI, is now down 36% since February 2021. The underperformance of software and biotechnology stocks explains why the over-hyped growth investments like the ARK ETF have done so poorly in the last months. These are all strong signs that a reckoning moment for the stock and bond markets at large is upon us.

Still, there is a narrower value-oriented segment of the stock market that will thrive in this rotation. We believe unloved yet highly profitable energy and materials-oriented businesses with strong balance sheets, low fundamental multiples, and high intermediate-term growth rates will benefit from the inflationary environment that is already under development. That is precisely the reason why our hedge funds remain heavily exposed on the long side to natural resource industries. We think commodity-related stocks will continue to outperform relative to the current speculatively overvalued parts of the market.

For further analysis and discussion, please see our recent research letter:

https://www.crescat.net/december-research-letter-pipe-dreams-and-ponzi-schemes/

December and Full-Year 2021 Net Return Estimates

December was a positive month for all Crescat's strategies. January is off to an auspicious start, especially for our Global Macro and Long/Short hedge funds which actively employ shorting in addition to our current long energy and materials themes. Those two funds have an abundance of software shorts. We are encouraged by their major breakdown today.

The Crescat Precious Metals Fund was the strongest performer in December and finished the year up an estimated 11.6%. Since inception in August 2020, the fund is up an estimated net 199.1% versus its benchmark the Philadelphia Gold and Silver Index which had a return of -12.6% during the same period. We are excited about the macro setup for a new leg of the secular precious metals bull market and look forward to realizing the full value of our activist portfolio.

Crescat Strategies Net Return Estimates through December 31st, 2021

CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	December	Annualized Trailing 1-YEAR (2021)	3-YEAR	SINCE INCEPTION	CUMULATIVE SINCE INCEPTION	YEARS SINCE INCEPTION
Precious Metals Hedge Fund (August 1, 2020)	**7.1%**	**11.6%**	**-**	**116.7%**	**199.1%**	**1.4**
Benchmark: Philadelphia Gold and Silver Index	1.9%	-6.7%	-	-9.0%	-12.6%	
Long/Short Hedge Fund (May 1, 2000)	**3.9%**	**-8.5%**	**6.7%**	**7.6%**	**388.1%**	**21.7**
Benchmark: HFRX Equity Hedge Index	1.7%	12.1%	9.1%	2.8%	81.4%	
Global Macro Hedge Fund (Jan.1, 2006)	**3.3%**	**-14.8%**	**3.4%**	**11.2%**	**443.8%**	**16.0**
Benchmark: HFRX Global Hedge Fund Index	0.5%	3.7%	6.3%	1.3%	22.5%	
Large Cap SMA (Jan. 1, 1999)	**4.9%**	**2.7%**	**9.6%**	**10.1%**	**822.9%**	**23.0**
Benchmark: S&P 500 Index	4.5%	28.7%	26.0%	8.1%	497.3%	
Precious Metals SMA (June 1, 2019)	**5.7%**	**-0.8%**	**-**	**48.4%**	**177.5%**	**2.6**
Benchmark: Philadelphia Gold and Silver Index	1.9%	-6.7%	24.7%	29.4%	94.8%	

Crescat Capital is a global macro asset management firm. Our mission is to grow and protect wealth over the long term. Our goal is industry leading absolute and risk-adjusted returns over complete business cycles with low correlation to common benchmarks. We encourage you to reach out to a Crescat representative to learn more about any of our five strategies. You can find both Marek Iwahashi and Cassie Fischer's contact information below.

Sincerely,

Kevin C. Smith, CFA
Member & Chief Investment Officer

Tavi Costa
Member & Portfolio Manager

For more information including how to invest, please contact:

Marek Iwahashi
Client Service Associate
miwahashi@crescat.net
303-271-9997

Cassie Fischer
Client Service Associate
cfischer@crescat.net
(303) 350-4000

Linda Carleu Smith, CPA
Member & COO
lsmith@crescat.net
(303) 228-7371

Important Disclosures

Performance data represents past performance, and past performance does not guarantee future results. An individual investor's results may vary due to the timing of capital transactions. Performance for all strategies is expressed in U.S. dollars. Cash returns are included in the total account and are not detailed separately. Investment results shown are for taxable and tax-exempt clients and include the reinvestment of dividends, interest, capital gains, and other earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. There should be no expectation that any strategy will be profitable or provide a specified return. Case studies are included for informational purposes only and are provided as a general overview of our general investment process, and not as indicative of any investment experience. There is no guarantee that the case studies discussed here are completely representative of our strategies or of the entirety of our investments, and we reserve the right to use or modify some or all of the methodologies mentioned herein.

Separately Managed Account (SMA) disclosures: The Crescat Large Cap Composite and Crescat Precious Metals Composite include all accounts that are managed according to those respective strategies over which the manager has full discretion. SMA composite performance results are time weighted net of all investment management fees and trading costs including commissions and non-recoverable withholding taxes. Investment management fees are described in Crescat's Form ADV 2A. The manager for the **Crescat Large Cap** strategy invests predominatly in equities of the top 1,000 U.S. listed stocks weighted by market capitalization. The manager for the **Crescat Precious Metals** strategy invests predominantly in a global all-cap universe of precious metals mining stocks.

Hedge Fund disclosures: Only accredited investors and qualified clients will be admitted as limited partners to a Crescat hedge fund. For natural persons, investors must meet SEC requirements including minimum annual income or net worth thresholds. Crescat's hedge funds are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933 and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act. The SEC has not passed upon the merits of or given its approval to Crescat's hedge funds, the terms of the offering, or the accuracy or completeness of any offering materials. A registration statement has not been filed for any Crescat hedge fund with the SEC. Limited partner interests in the Crescat hedge funds are subject to legal restrictions on transfer and resale. Investors should not assume they will be able to resell their securities. Investing in securities involves risk. Investors should be able to bear the loss of their investment. Investments in Crescat's hedge funds are not subject to the protections of the Investment Company Act of 1940. Performance data is subject to revision following each monthly reconciliation and annual audit. Current performance may be lower or higher than the performance data presented. The performance of Crescat's hedge funds may not be directly comparable to the performance of other private or registered funds. Hedge funds may involve complex tax strategies and there may be delays in distribution tax information to investors.

Investors may obtain the most current performance data, private offering memoranda for a Crescat's hedge funds, and information on Crescat's SMA strategies, including Form ADV Part II, by contacting Linda Smith at (303) 271-9997 or by sending a request via email to lsmith@crescat.net. See the private offering memorandum for each Crescat hedge fund for complete information and risk factors.