



Crescat Capital LLC
1560 Broadway
Denver, CO 80202
(303) 271-9997
info@crescat.net
www.crescat.net

March 23, 2019

Dear Investors:

Thursday had the feel of a blow-off top for the bear market rally. We are near historic valuations for US stocks across at least eight fundamental measures and at a record late stage in the business cycle. Equity markets appear more stretched relative to underlying deteriorating fundamentals than ever.

Micron this week was the poster child for this “bull-trap” lunacy. Investors bid Micron’s stock up 10% on Thursday after the company released earnings. The move sent the semiconductor index to a record high on Thursday. The truth was that Micron gave terrible forward guidance on the conference call forcing analysts to slash estimates for revenues, earnings, and free cash flow for 2019 and 2020.

Friday the market started to wake up to the real world as global stocks reversed back down. Both of Crescat’s hedge funds were up over 3% net on the day due to our steadfast net short positioning nearly erasing all MTD losses in both funds. Emerging market currencies and stocks fell hard on Friday with US stocks following just as global investors had poured into emerging markets hoping to outperform versus and aged and expensive US market. But all is not right with emerging markets. EM currency declines tend to foreshadow China yuan devaluations as they did in 2015 and 2018. We think it is poised play out again. We haven’t seen anything yet in terms of the Chinese yuan devaluation that we are expecting.

With record debt-to-GDP bubbles today around the world, and China first and foremost among them, we continue to forecast a downturn in the global economic cycle. We think investors at large are clueless about the financial and economic risks coming from China and how an impending China credit bust will negatively feed back to US and global financial markets. We strongly encourage you to view a new brief video from Tavi Costa, our macro analyst, where he outlines the China risks in a deck of macro charts: www.youtube.com

The global stock market (likely bull-trap) rally YTD has resulted in a pullback for Crescat’s hedge funds given our steadfast net short positioning. We believe Crescat’s hedge funds are poised for another run like we had at the end of 2018 when we finished among the top performing funds in the world.

For those who did not see, Bloomberg News wrote a nice article on Crescat earlier this week: www.bloomberg.com/news/

And MarketWatch came out with another great piece on Friday: <https://www.marketwatch.com/story>

Please feel free to reach out to us if you would like to take advantage of our ideas.

Sincerely,

Kevin C. Smith, CFA
Chief Investment Officer

Tavi Costa
Global Macro Analyst

For more information including how to invest, please contact Linda Smith at lsmith@crescat.net or (303) 228-7371.

© 2019 Crescat Capital LLC

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. Only accredited investors and qualified clients will be admitted as limited partners to a Crescat fund. For natural persons, investors must meet SEC requirements including minimum annual income or net worth thresholds. Crescat 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 the Crescat 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 fund with the SEC. Limited partner interests in the Crescat 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 the Crescat funds are not subject to the protections of the Investment Company Act of 1940. Performance data represents past performance, and past performance does not guarantee future results. 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. Crescat is not required by law to follow any standard methodology when calculating and representing performance data. The performance of Crescat funds may not be directly comparable to the performance of other private or registered funds. Investors may obtain the most current performance data and private offering memorandum for a Crescat fund 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 fund for complete information and risk factors.