



**CRESCAT CAPITAL®**  
THE VALUE OF GLOBAL MACRO INVESTING

October 2023

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# CRESCAT CAPITAL®

The Value of Global Macro Investing

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**zerohedge**  @zerohedge · 3h



Friday The 13th



 30

 57

 301

 60.4K





# Crescat's Hedge Fund Strategies

## Global Macro Fund

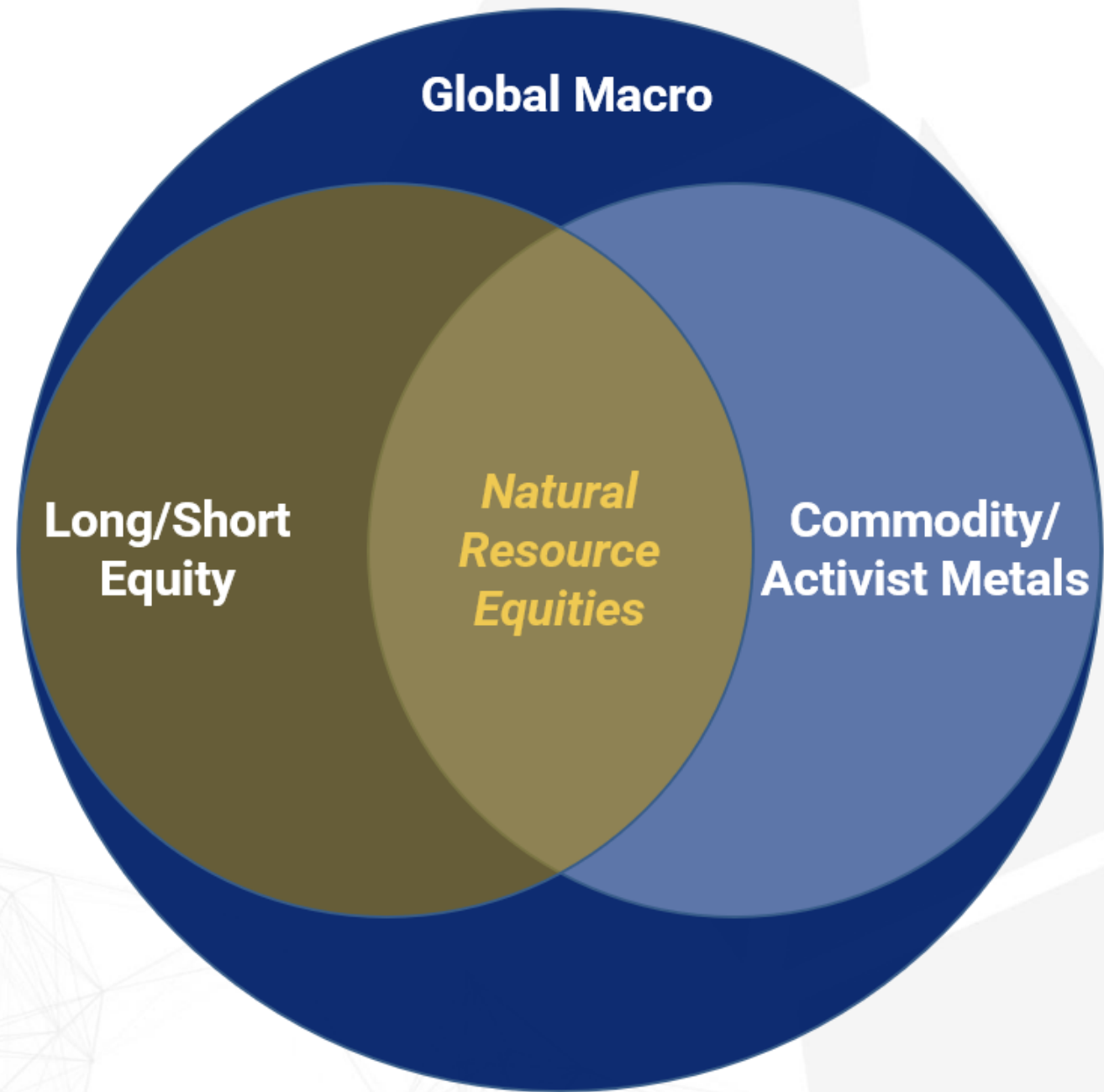
- Crescat's flagship fund and its most comprehensive strategy with exposure to all the firm's macro themes.
- The strategy can invest long and/or short globally across all asset classes including equities, commodities, currencies, and fixed-income securities.
- 17-year audited track record that includes strong absolute performance in bear markets.

## Long/Short Fund

- Our equity-focused hedge fund seeks to deliver alpha from long and short stock picking combined with macro themes
- This fund will tactically adjust its long vs. short exposure based on the firm's projections for the business and economic cycle.
- 23-year audited track record

## Precious Metals Fund

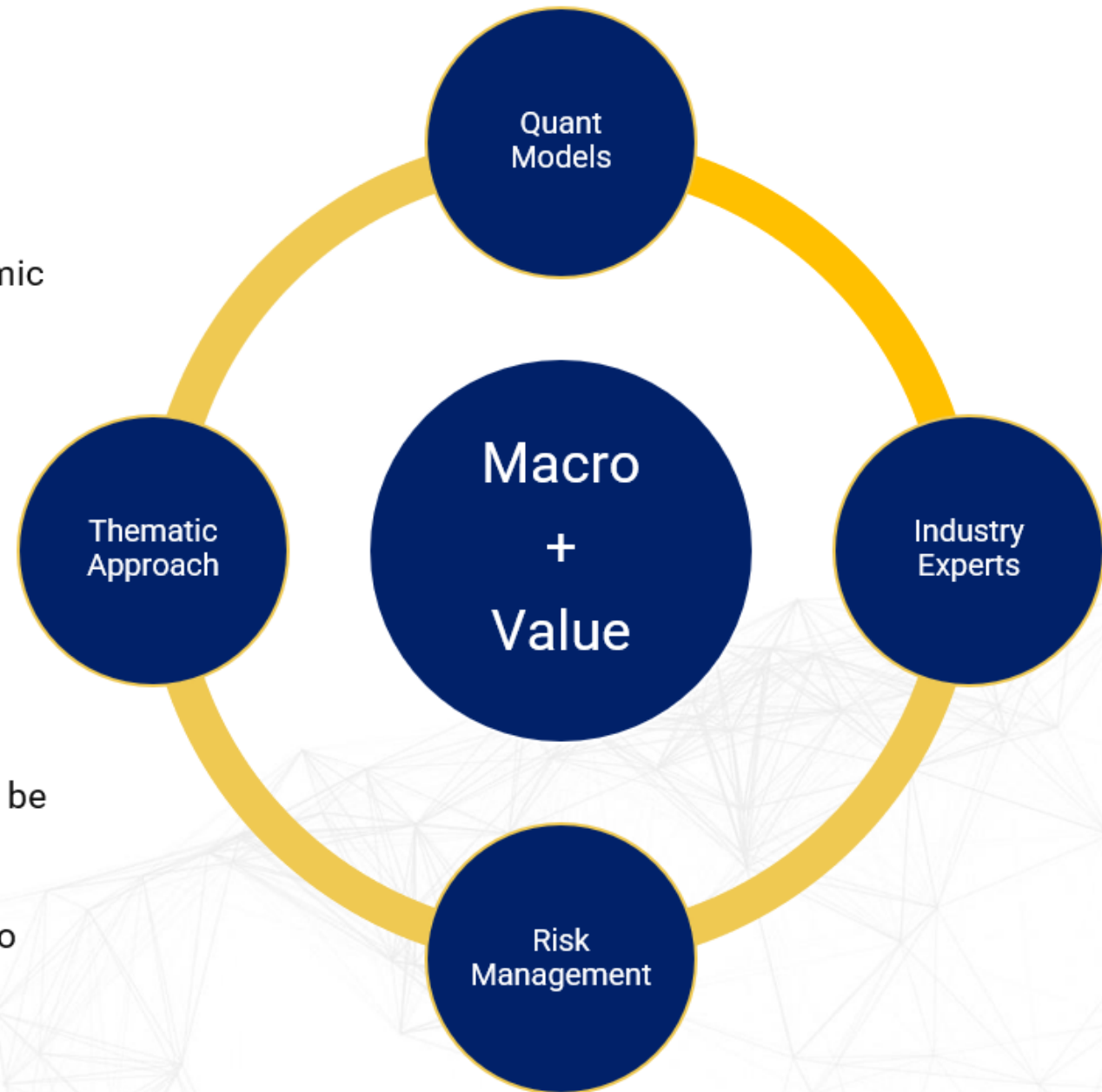
- An activist fund focused on precious and base metals mining companies with two primary buckets:
  1. Gold
  2. Electrification metals including silver, copper, nickel, lithium, and other base metals including battery metals.
- Has substantially outperformed industry benchmarks since inception.



# Investment Process

## Primary Values and Supporting Methods

- Development and expression of tactical macroeconomic themes
- Proprietary value-based research
- Quant models
  - Fundamental Equity
  - Macro
  - Precious Metals Exploration
- Hiring of industry professionals whom we consider to be experts in their field.
- Risk management that embraces moderate volatility to realize intrinsic value.



# S&P 500 Nominal Earnings

12-Trailing Months EPS

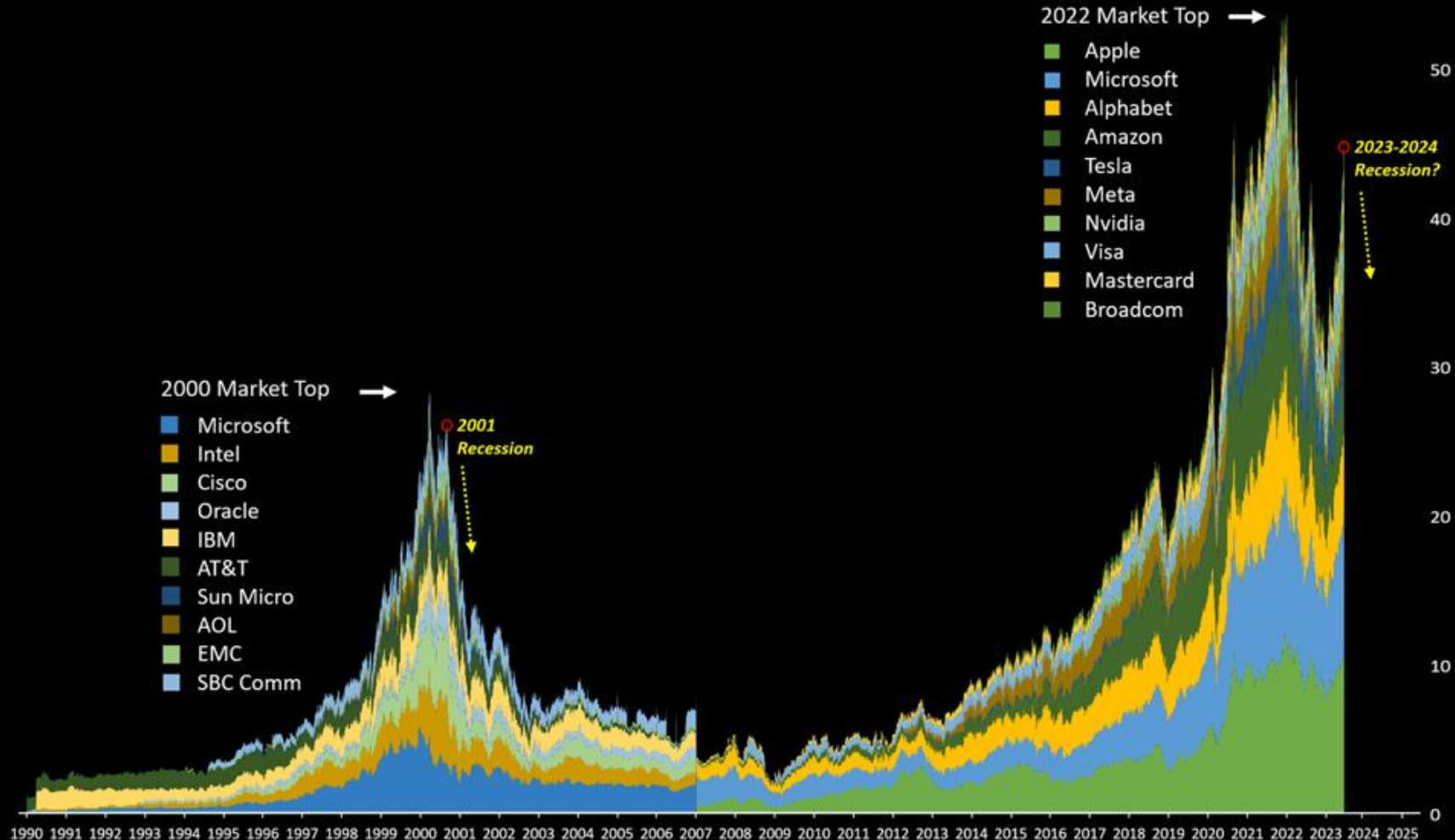


Nominal corporate earnings have been trending in an upward channel for 70 years. Every time profits reached the upper band of this range, an earnings recession followed. We are at a similar peak-level juncture again today while analysts continue to be overly optimistic.



# Tech Bubble Market Tops

Top 10 Megacap Tech Stocks: Enterprise Value as % of GDP



Source: Bloomberg, Kevin Smith

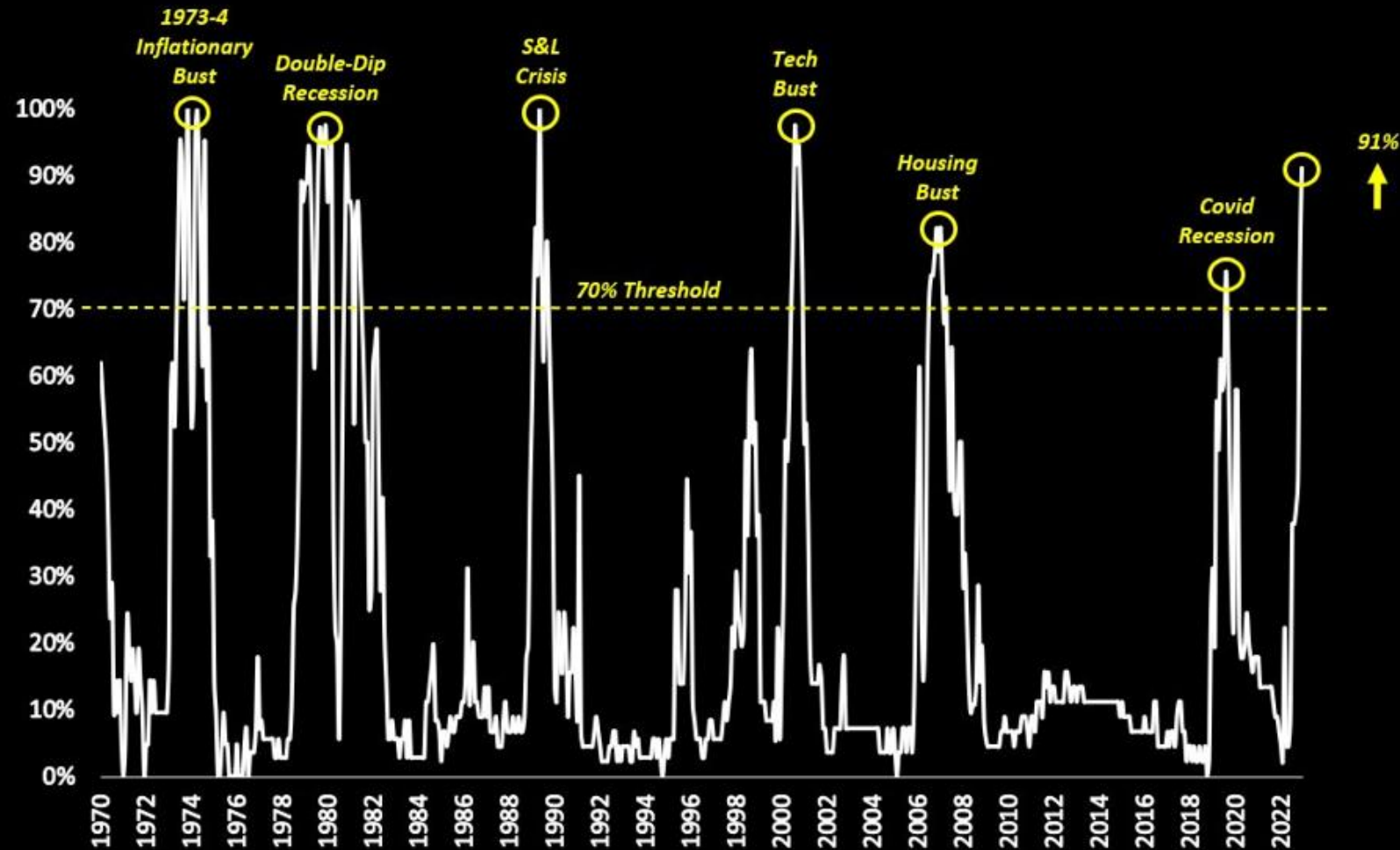
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Valuations for the top-ten megacap tech stocks are still higher than their counterparts at the peak of the 2000 tech bubble.

A recession is still pending based on our research. The next leg down is likely to be severe.

## US % of Yield Curve Inversions



Source: Bloomberg; Tavi Costa

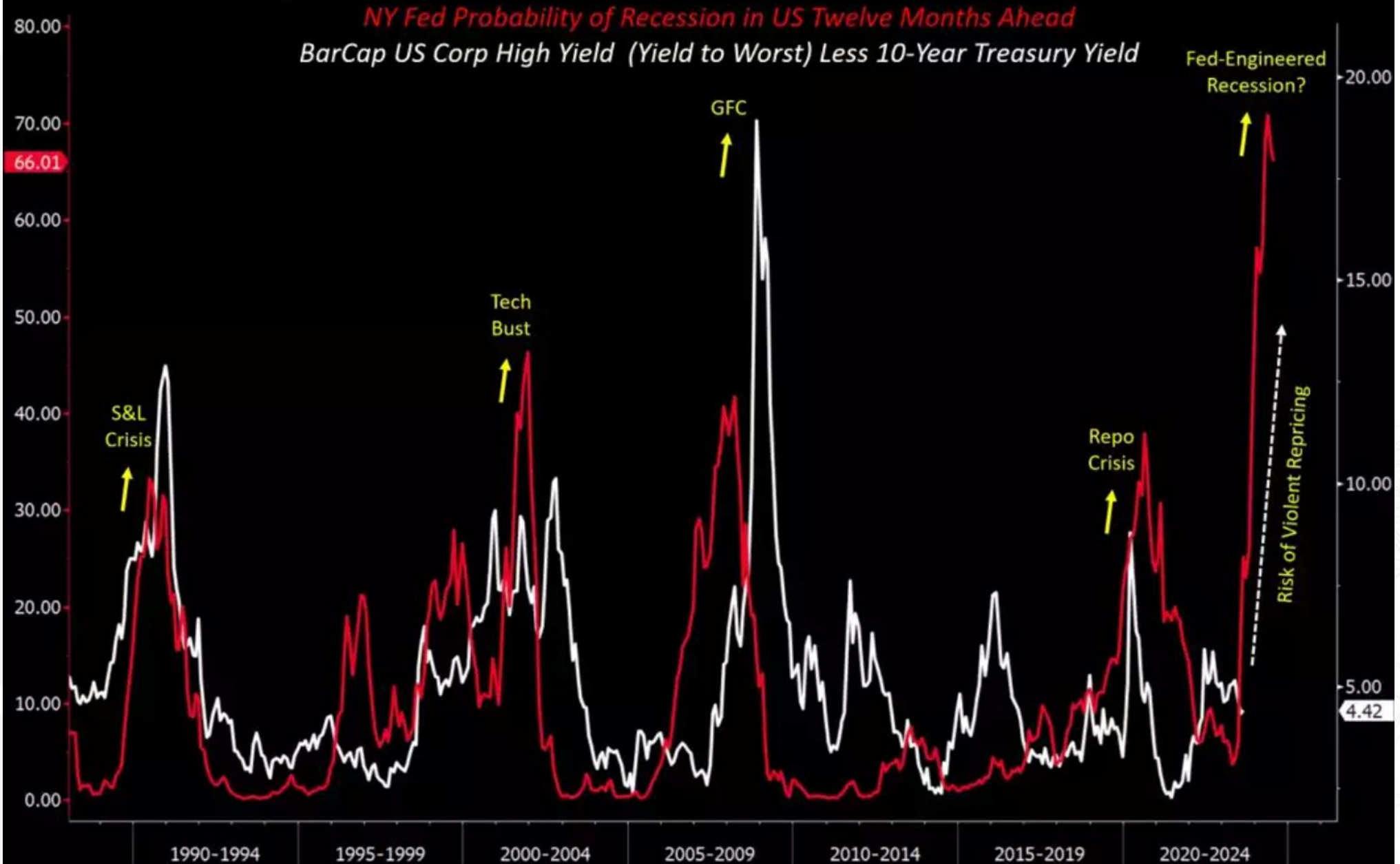
\*Yields used for calculation: 30, 10, 7, 5, 3, 2-Year, and also 12-Month, 3-Month, 1-Month Labor, Fed Funds Rate

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The percentage of inversions in the US Treasury yield curve has breached the critical 70% level. As our research shows, every breach of this threshold in the history of the data back to 1970 has led to a near-term recession.

# Probability of Recession vs. Junk Bond Credit Spreads





# Bearish Triangle Formation in Junk Bonds

*iShares iBoxx High Yield Corporate Bond ETF - Weekly Candles*



# Early 2000's Tech Bust

*Philadelphia Gold and Silver Index vs. Nasdaq Composite*



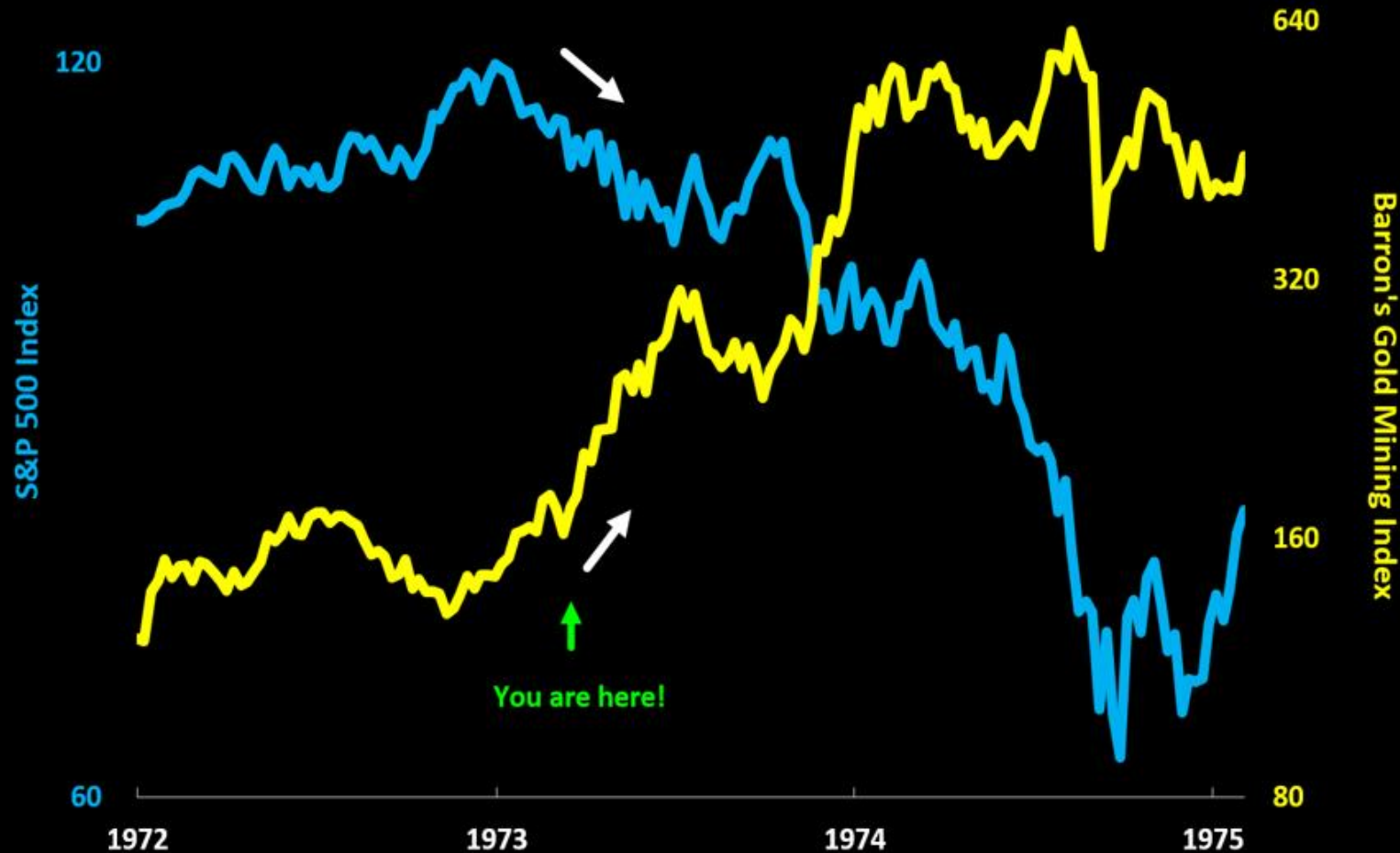
In the early 2000's tech bust, NASDAQ continued to fall all the way to October 2002, but the great buying opportunity for precious metals mining stocks started at the end of 2000.

Source: Bloomberg

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# Stagflationary Recession of 1973-74

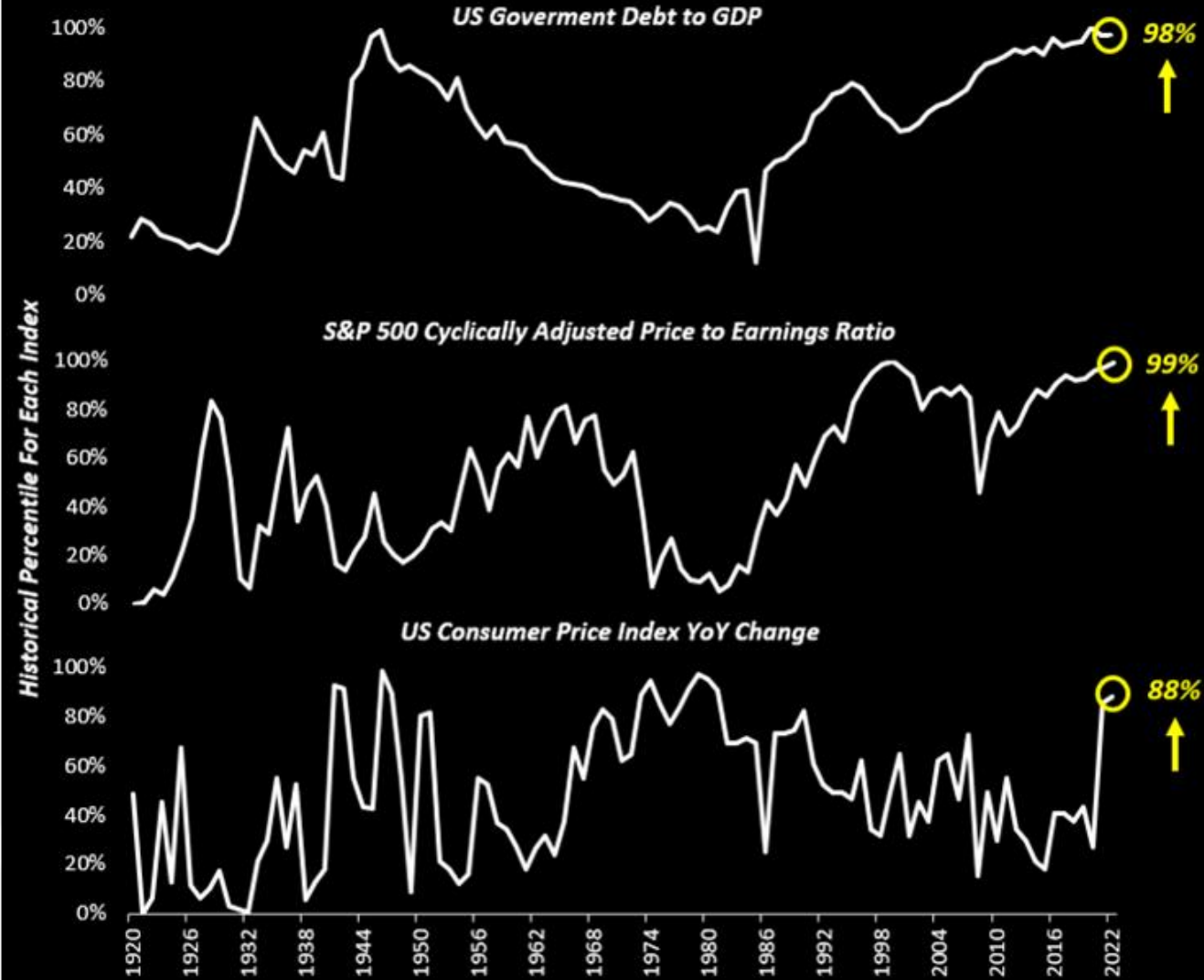
*Barron's Gold Mining Index vs. S&P 500*



In 1973 to 1974, mining stocks went up 5-fold in just two years while the S&P 500 declined 50%. Large-cap growth stocks known as the Nifty Fifty at the time, the mega-caps of their day, went down substantially more.



## Debt, Valuation & Inflation



Source: Federal Reserve, Yale University, Robert J. Shiller

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The trifecta of macro imbalances. For the first time in history, the US is experiencing a confluence of three macro extremes.

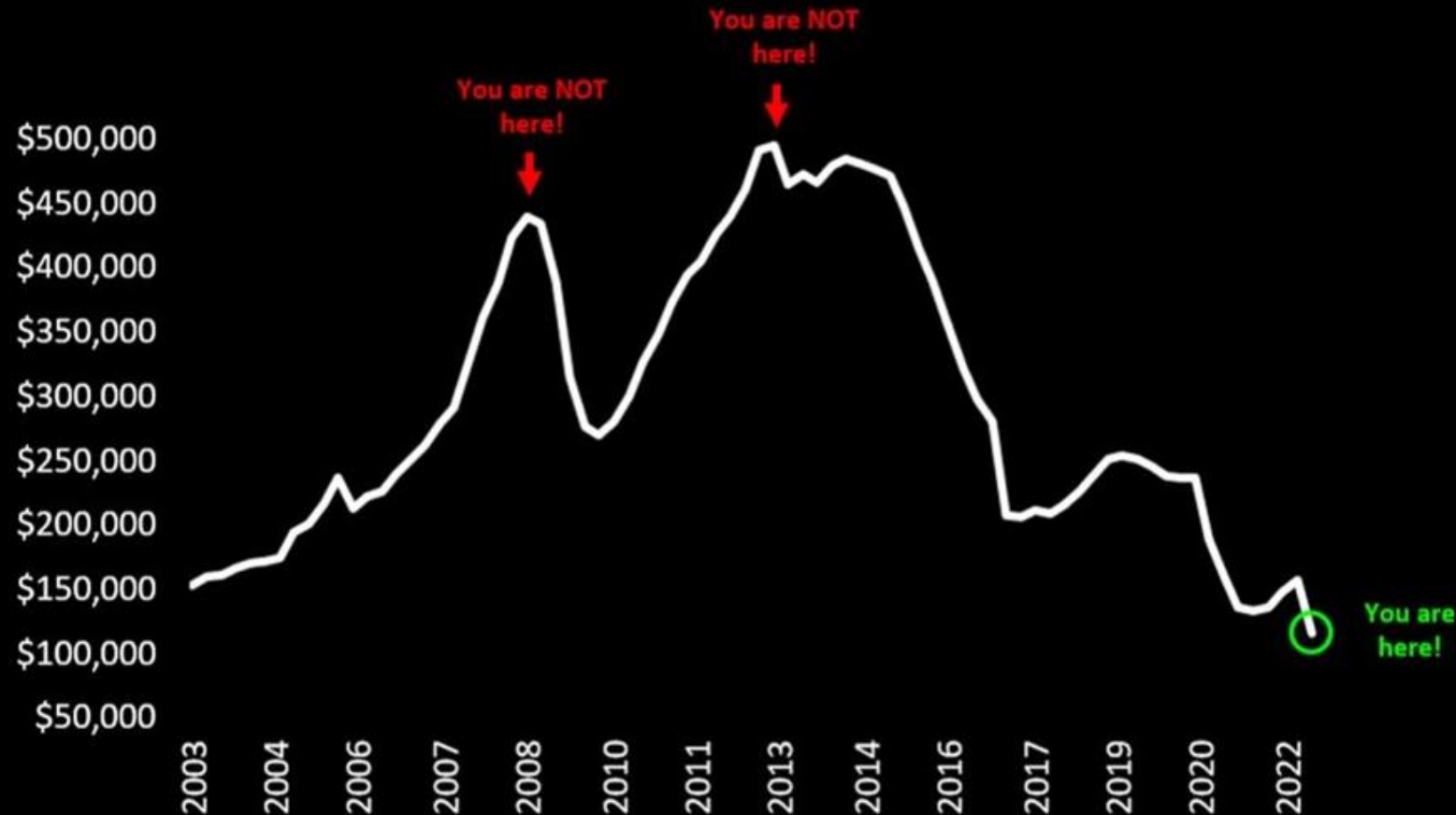
# Commodities to Equity Ratio



The commodity-to-equity ratio is a setup like the early 1970s and early 2000s but from an even bigger imbalance.

# Commodity Producers: Capex Cycle Adjusted For GDP

*Aggregate Trailing 12-Months of Capex in USD Millions*



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

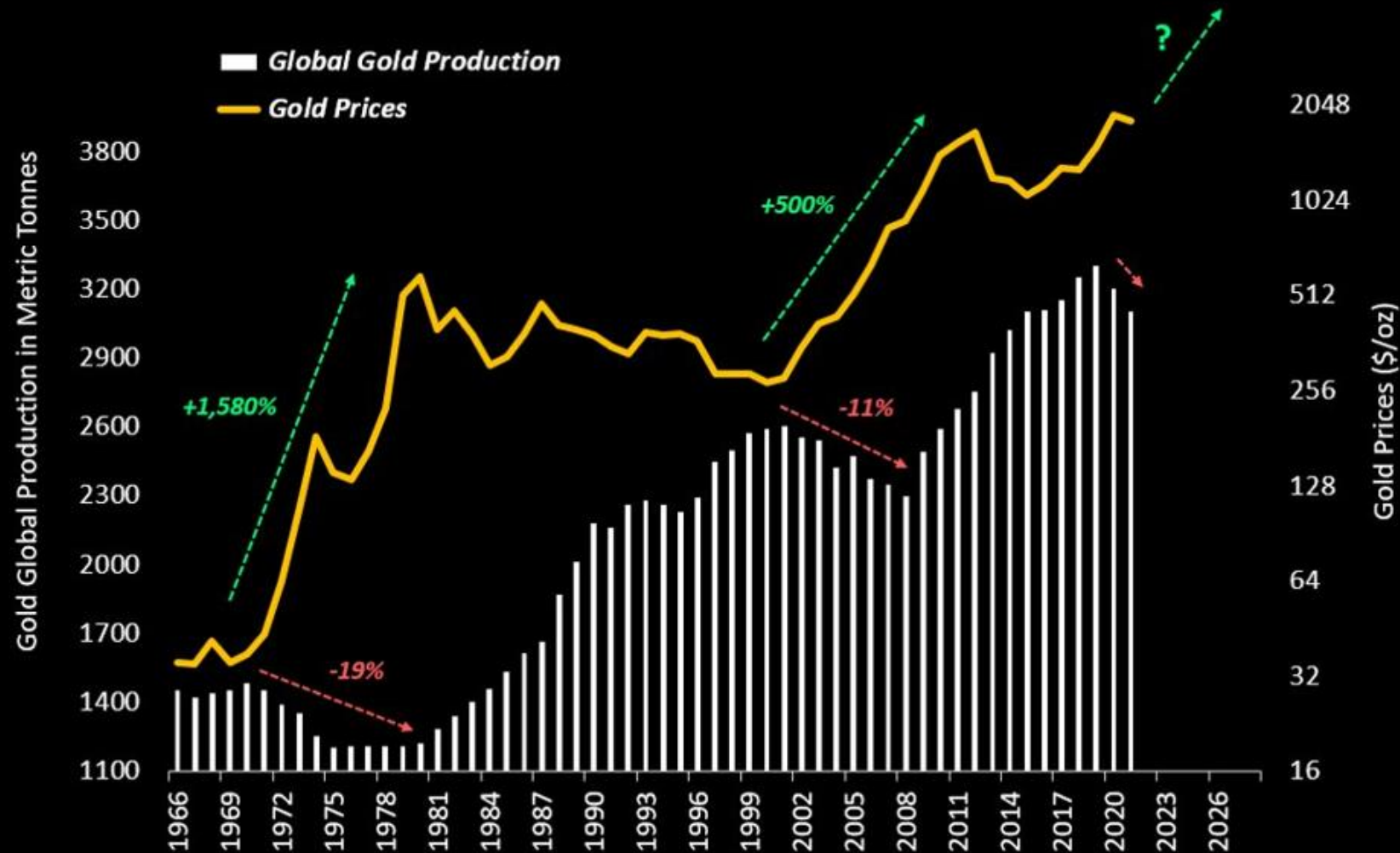
Source: Bloomberg

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When adjusted for GDP levels, the aggregate capex for commodity producers is at record lows, the exact opposite of the setup in 2008 and 2014 when oil peaked.



# Global Gold Production vs. Gold Prices



Source: USGS

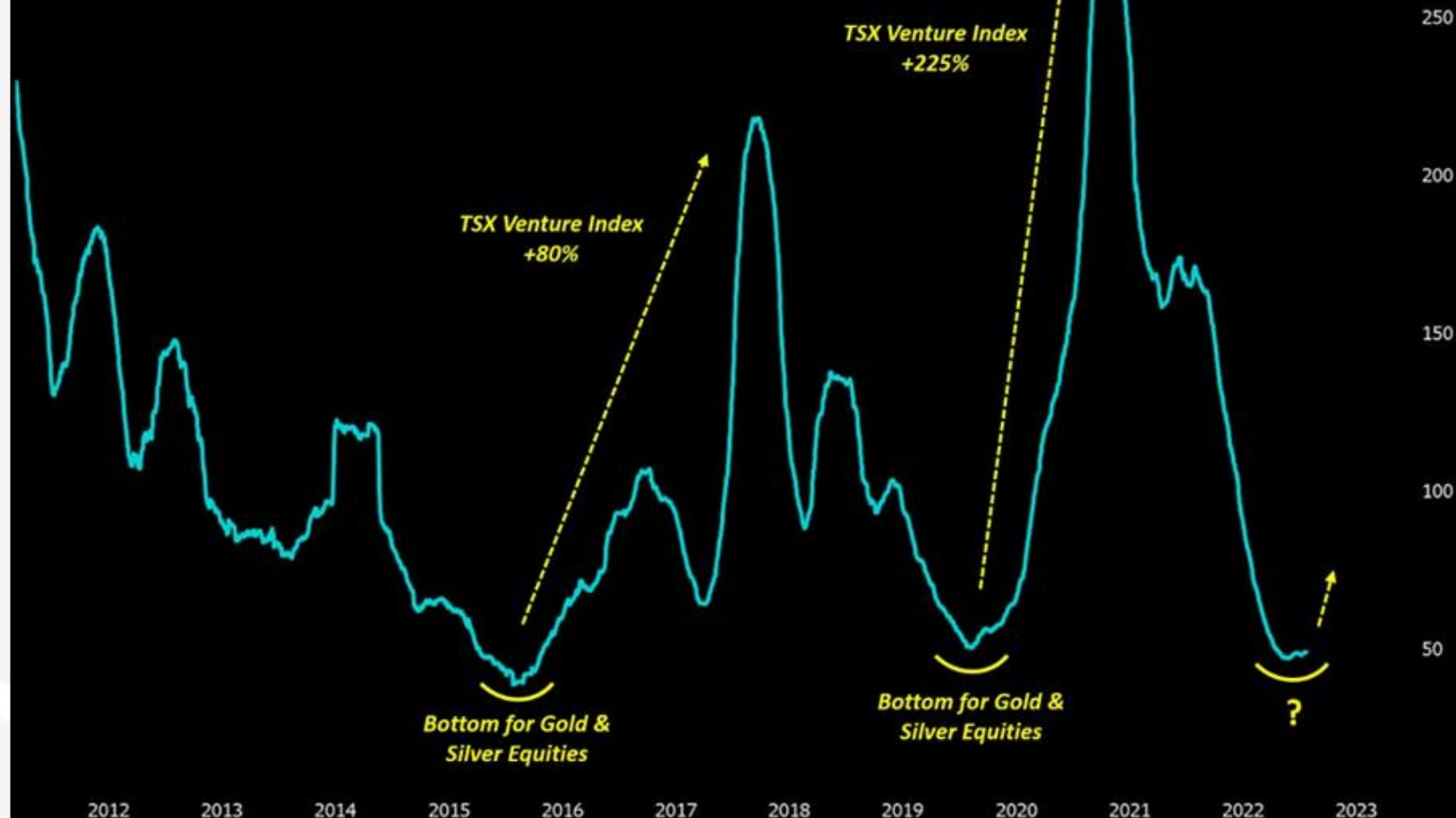
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Multi-year periods of declining production also marked secular bull markets for gold prices.

# TSX Venture Exchange Turnover

50-Day Average Daily Value Traded in CAD Millions



Source: Bloomberg; Kevin Smith

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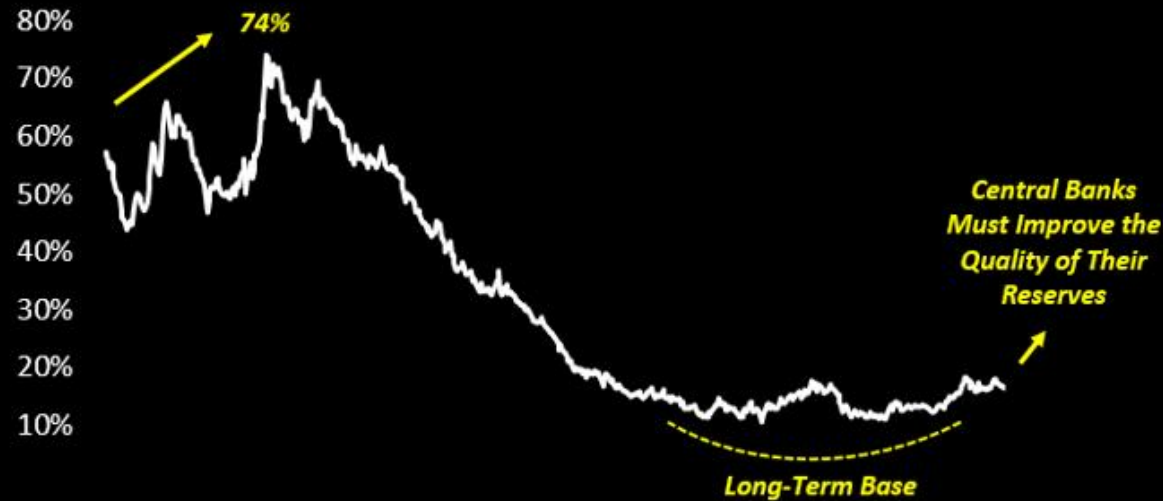


The turnover volume for smaller mining companies remains incredibly depressed.

The 50-day average traded volume in the TSX Venture Exchange is currently re-testing its prior historical lows.

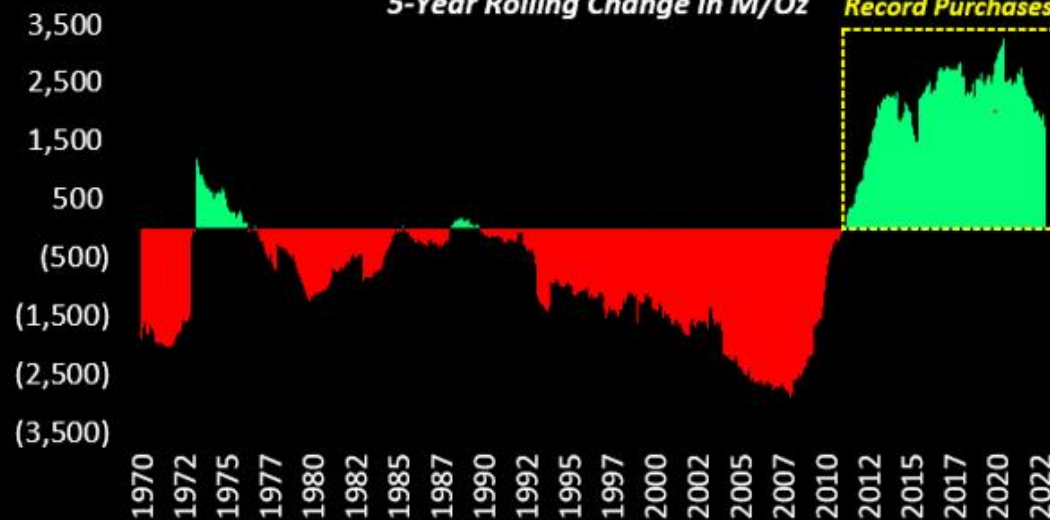
## Global Central Banks

Gold Holdings as a % of Foreign Reserves



### Gold Purchases

5-Year Rolling Change in M/Oz



Source: Bloomberg; Tavi Costa

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Central banks have been anything but shy in accumulating gold recently. After forming a 20-year base, we are seeing the early signs of an upward move in gold holdings as a component of foreign reserves in relation to US Treasuries, German Bunds, UK Gilts, and JGBs.

# The History of Gold Cycles



Source: Bloomberg; Tavi Costa

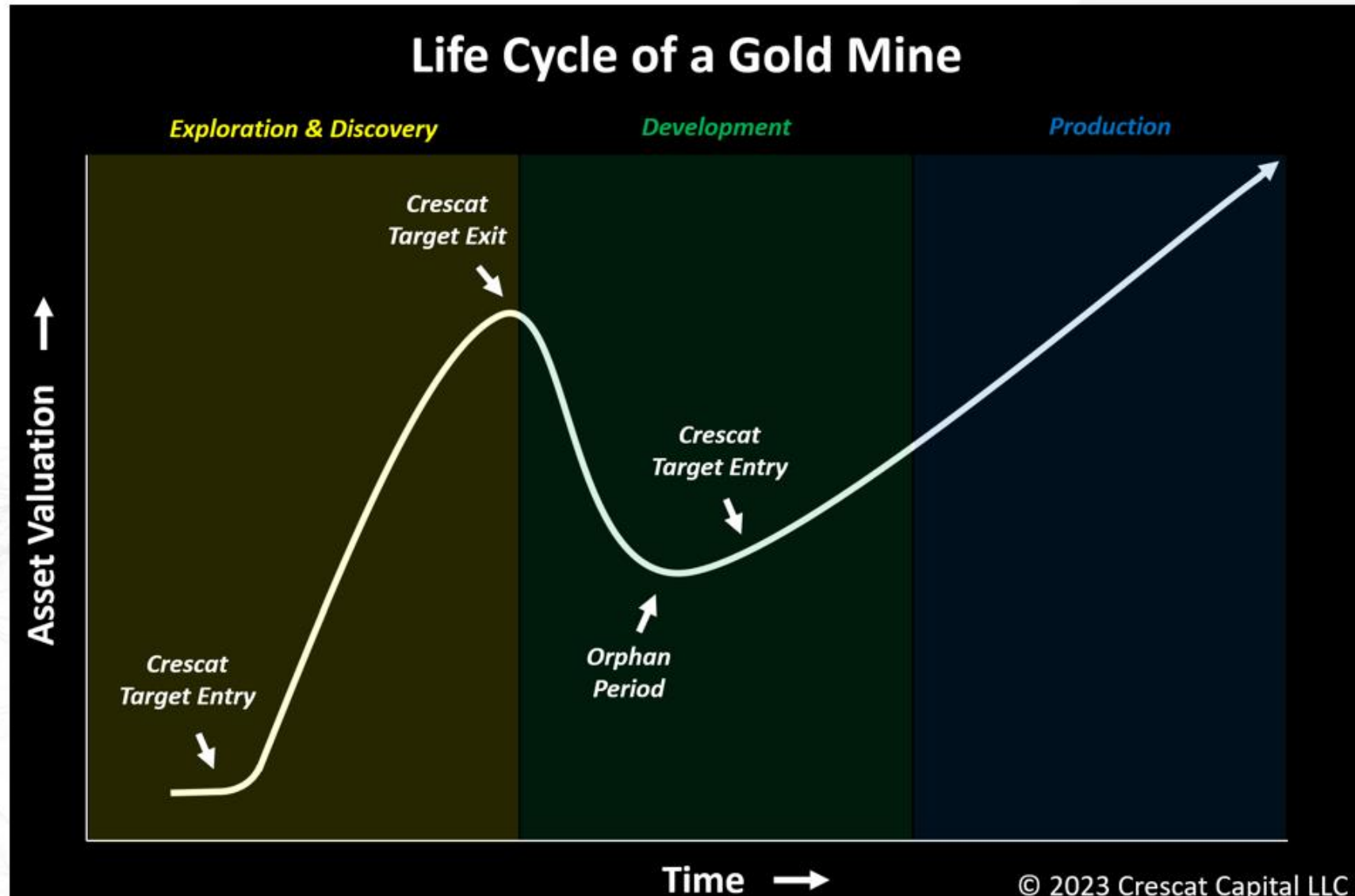
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The multitude of macro drivers supporting the onset of another gold cycle is truly remarkable.



# The Lifecycle of a Gold Mine



# Activist Metals Portfolio



**CRESCAT CAPITAL**  
THE VALUE OF GLOBAL MACRO INVESTING

Activist Metals NAV Across Crescat Funds:

**\$214,184,151**

Gold Spot  
Price:

**\$1,823**

Silver Spot  
Price:

**\$21.17**

Number  
of Total  
Positions:

**83**

Median Firm Wide  
Partially Diluted  
Ownership

**13.31%**

Company Total  
Gross Au Eq. Target  
Ozs (Millions)

**618**

Net Probability  
Adjusted Au Eq. Target  
Ozs (Millions)

**290**

Net Probability  
Adj. Au Eq. Target  
Value in Ground

**\$529B**

Peak Crescat Curve  
Total Co. Equity  
Target Value

**\$105.7B**

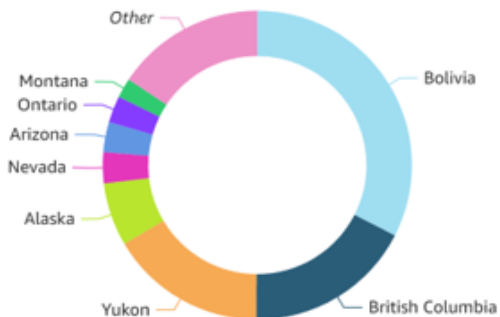
Peak Crescat Curve  
Precious Metals Fund  
Target Value

**\$6.7B**

Portfolio  
Margin of  
Safety (CPMF)

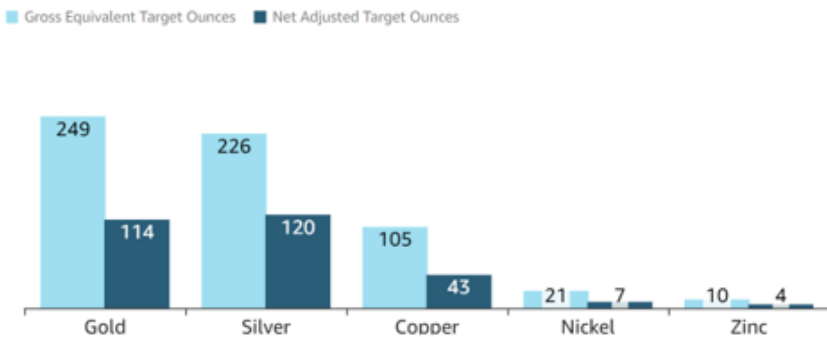
**3,823%**

% NAV Exposure By Fraser Jurisdiction of Lead Project

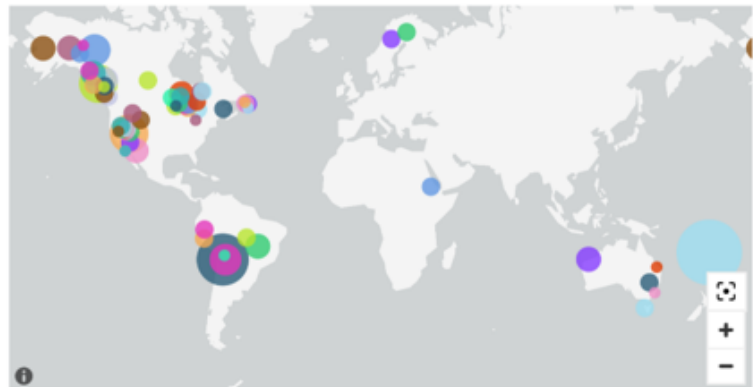


Gross vs. Net Gold Equivalent Target Ounces (Millions) By Primary Metal

Net targets include bona fide & incipient discoveries

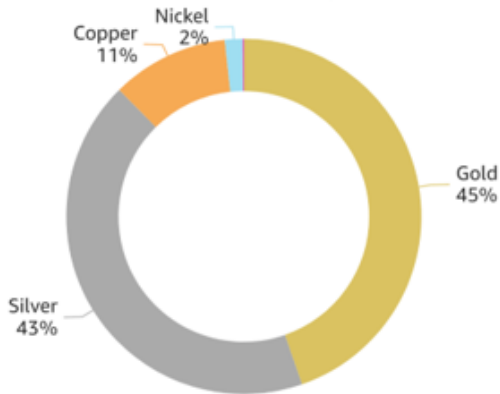


115 Drills Turning Over Next 12 Months



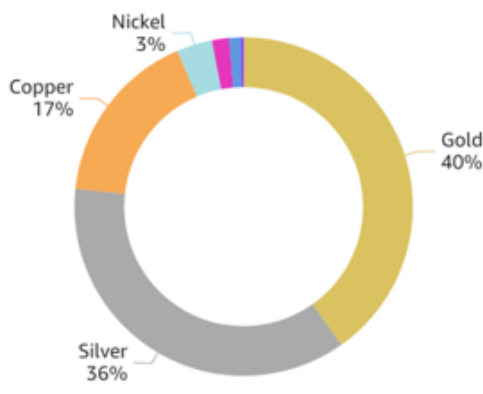
Percent of Net Asset Value

Based on Crescat's Current Ownership & Valuation



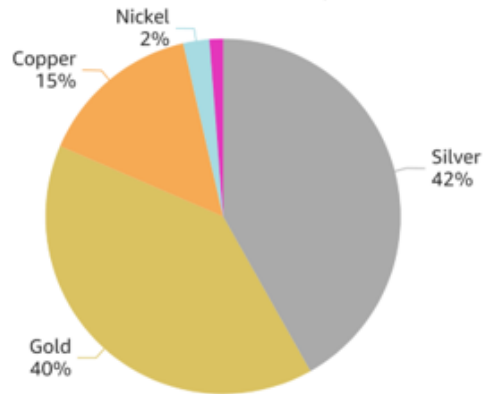
Gross Target Ounces

Based on Crescat's Geologic Estimates



Net Discovery-Adjusted Target Ounces

Based on Drill Results & Crescat's Geologic Estimates



# Gold

*Monthly Candles*

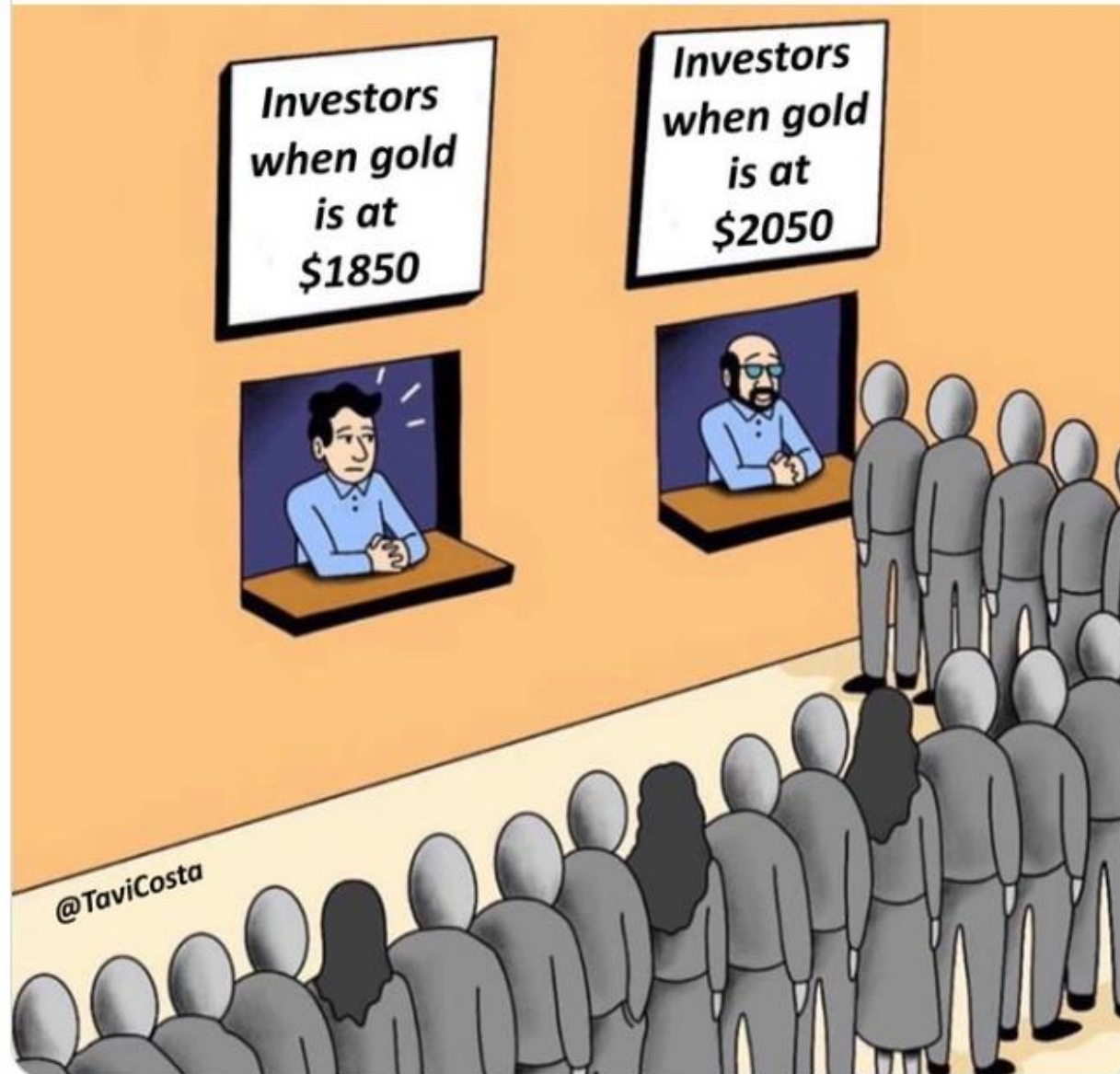
*Triple Tops  
Almost Never  
Work*



 **Otavio (Tavi) Costa**  @TaviCosta · Sep 29

Classic.

[Show this thread](#)







Paul Krugman

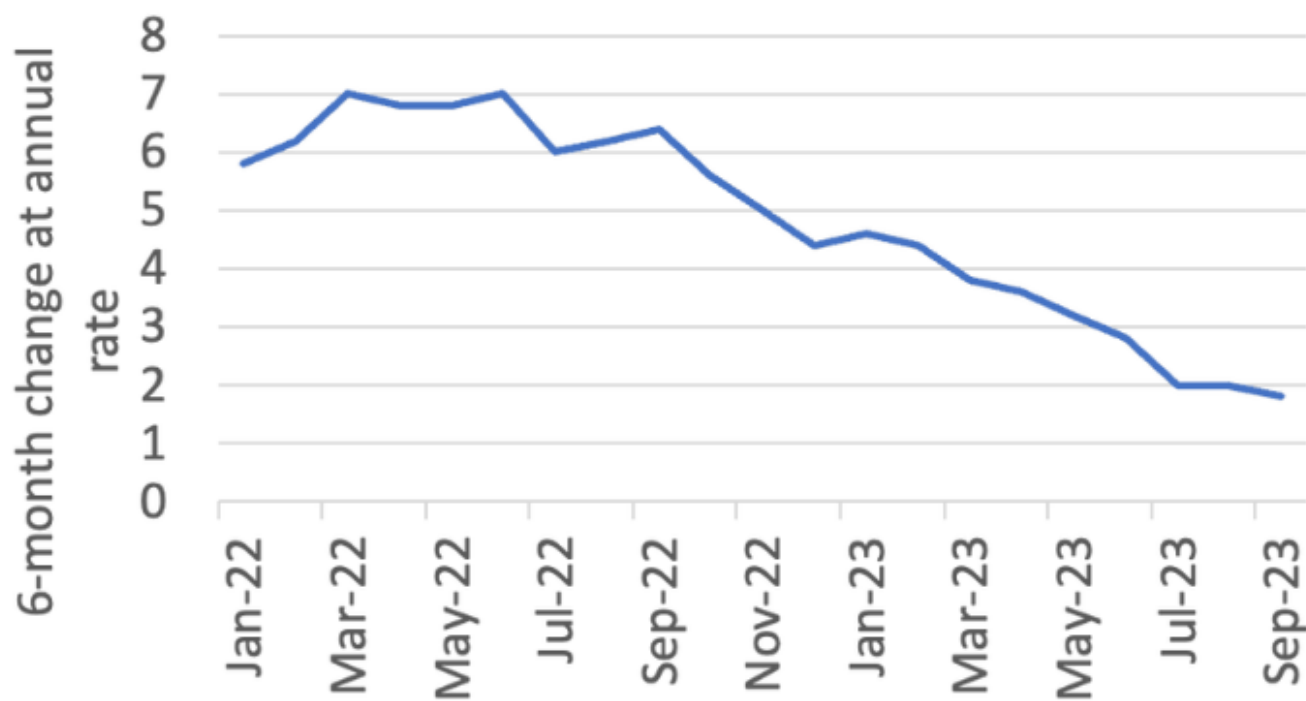


@paulkrugman

...

The war on inflation is over. We won, at very little cost

### CPI ex food, energy, shelter and used cars





**Otavio (Tavi) Costa** ✓

@TaviCosta



That's correct:

If you take out rent, energy, food, car prices, transportation, education, durables, nondurables, utility costs, child care, medical care.....  
inflation is back to normal.

# The Three Inflationary Waves of the 1970s



Source: Bloomberg; Tavi Costa

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# US 30-Year Breakeven Rate

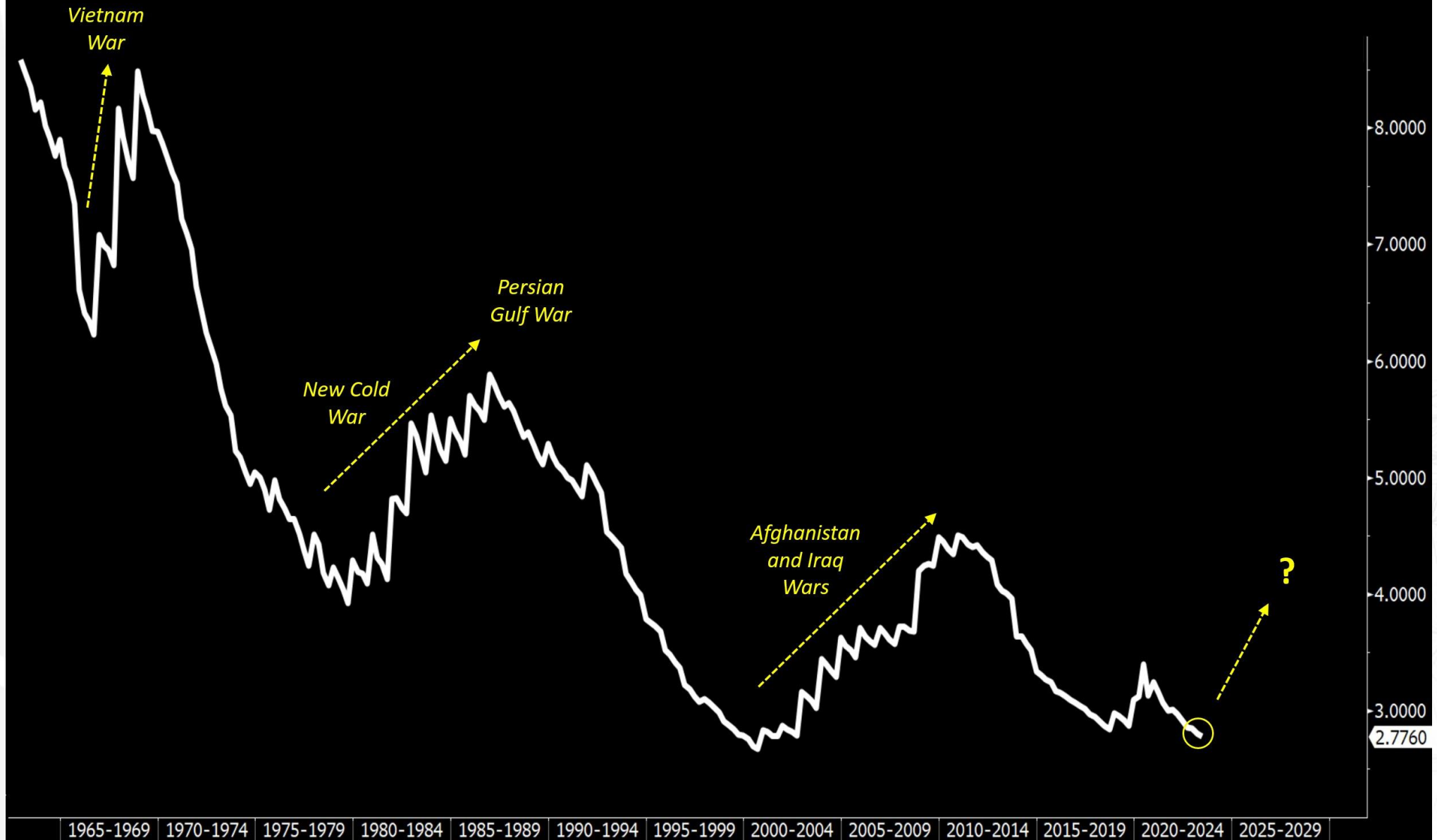


Source: Tavi Costa; Bloomberg

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# US National Defense Spending As a % of GDP



Source: Bloomberg; Tavi Costa

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# Federal Debt Growth Outpaced the Performance of US Equities in the last 5 Years



# Gold-to-US Treasuries Ratio

Calculation:  $\text{Gold} / \text{Bloomberg Treasury Total Return Index}$



Source: Bloomberg; Tavi Costa

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# US Treasuries Are Now More Volatile Than Gold

*7-Year Rolling Monthly Downside Volatility Differential: (Long-Term Treasuries Total Return - Gold Return)*



Source: Bloomberg; Tavi Costa

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# Silver-to-Treasuries Ratio

*Calculation: Silver / Bloomberg Treasury Total Return Index*

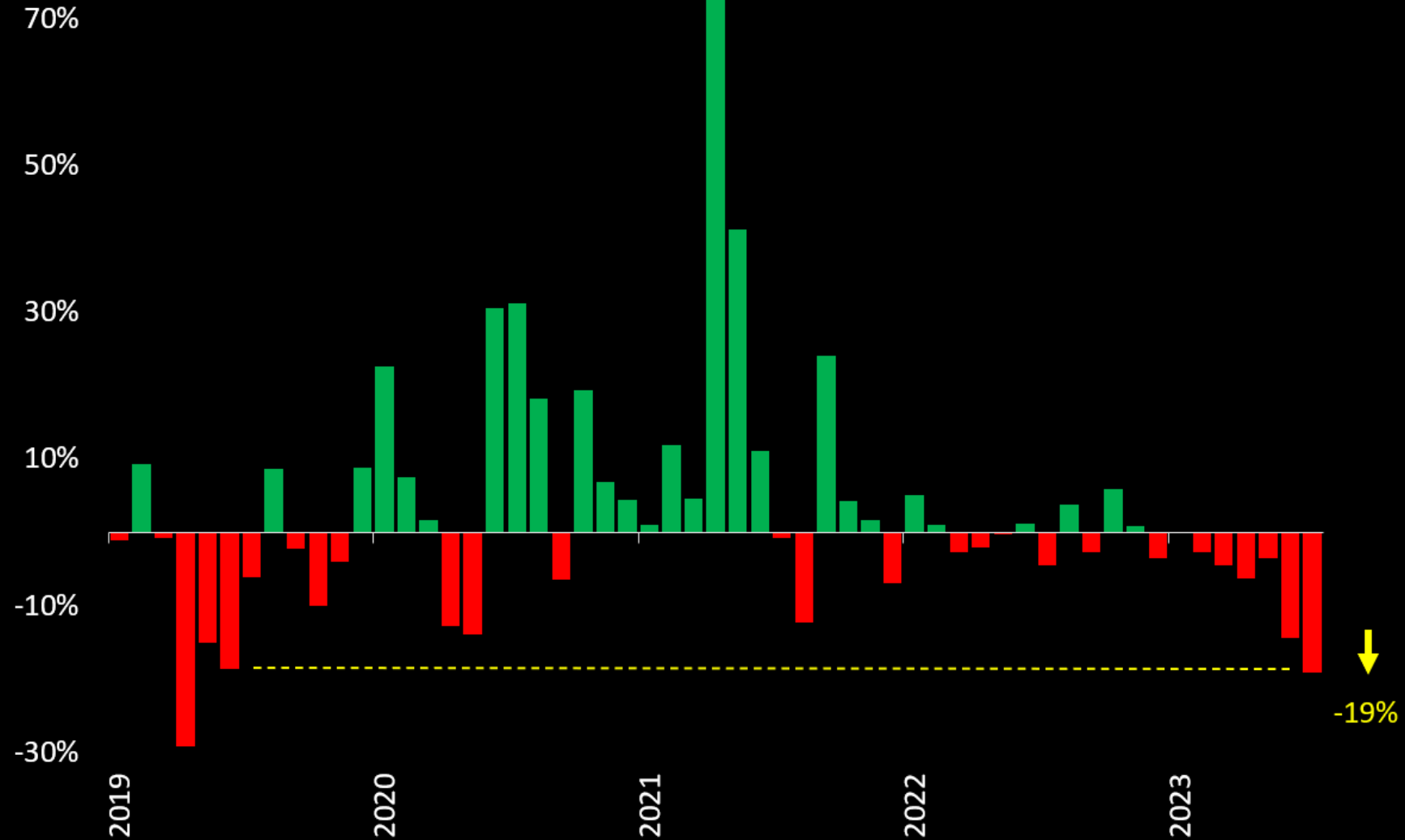


Source: Bloomberg; Tavi Costa

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# Mexico Silver Production

*YoY Change (%)*



# Peru: Silver Production

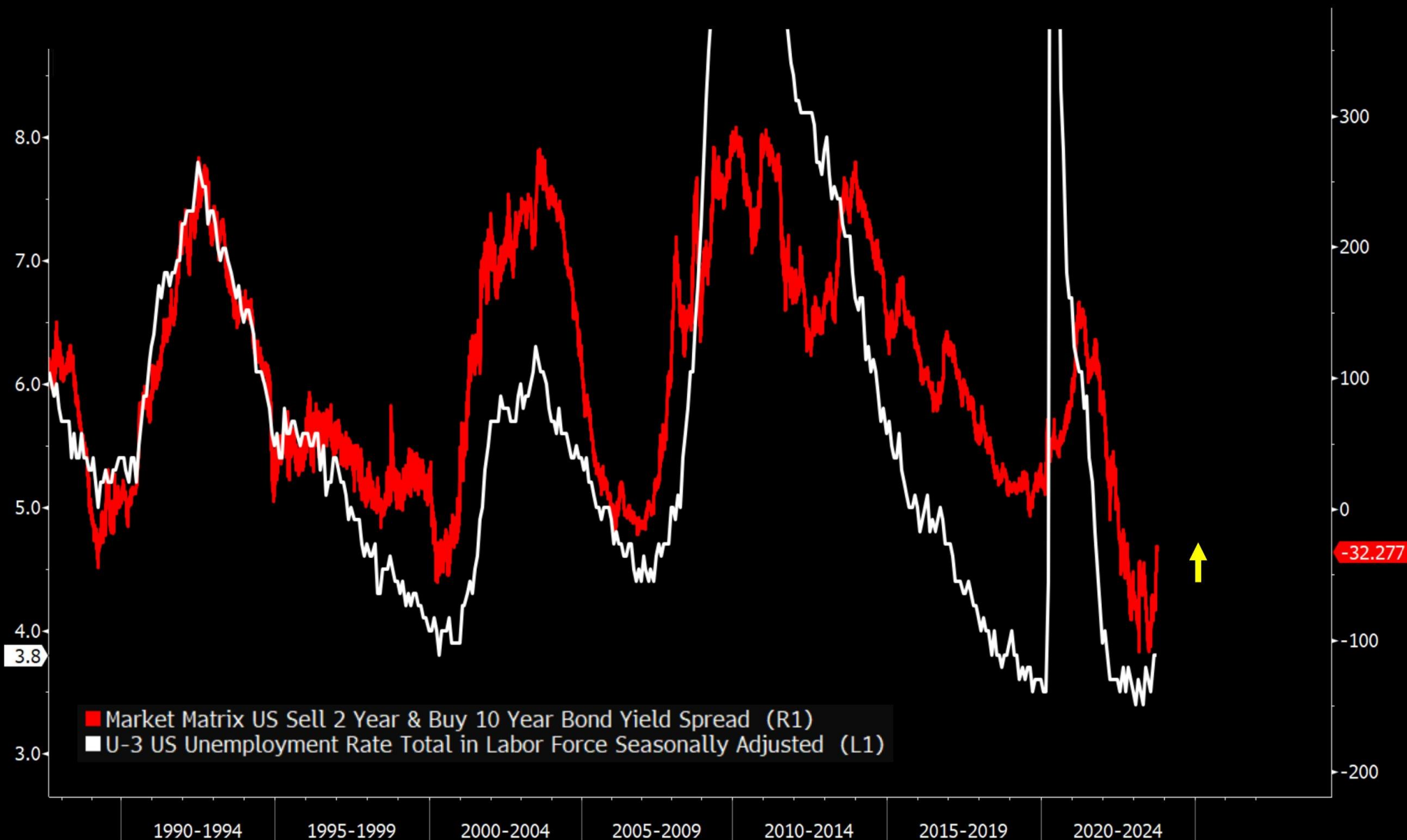
*12-Month Moving Average of Monthly Production*



Source: Bloomberg; Tavi Costa

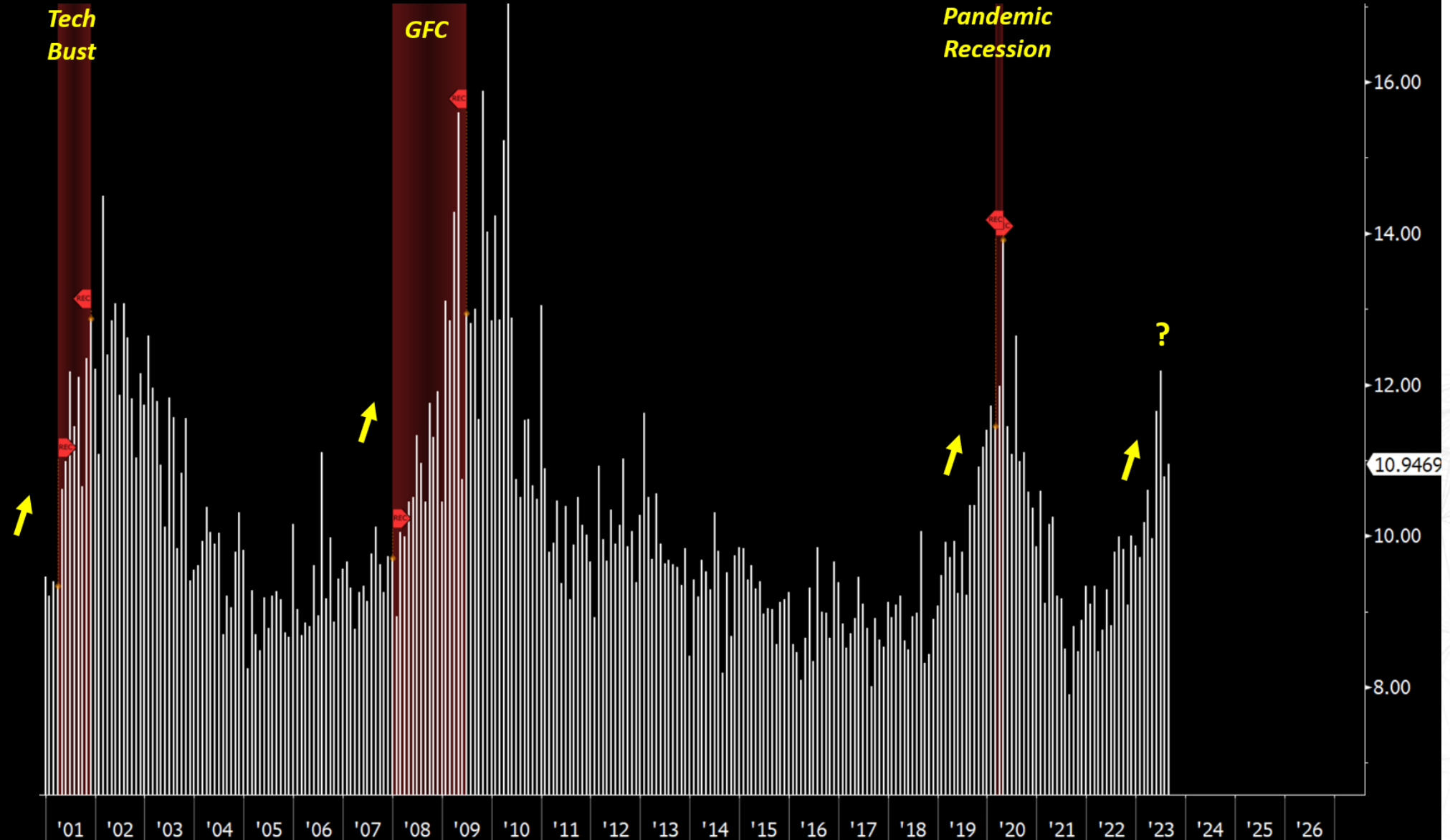
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# US Yield Curve vs. Unemployment Rate





# Government Jobs As a % of Total Job Openings



Source: Bloomberg; Tavi Costa

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# Watch for times when the generals lead but the soldiers don't follow



# Russell Microcap Index



# Russell 2000 Index



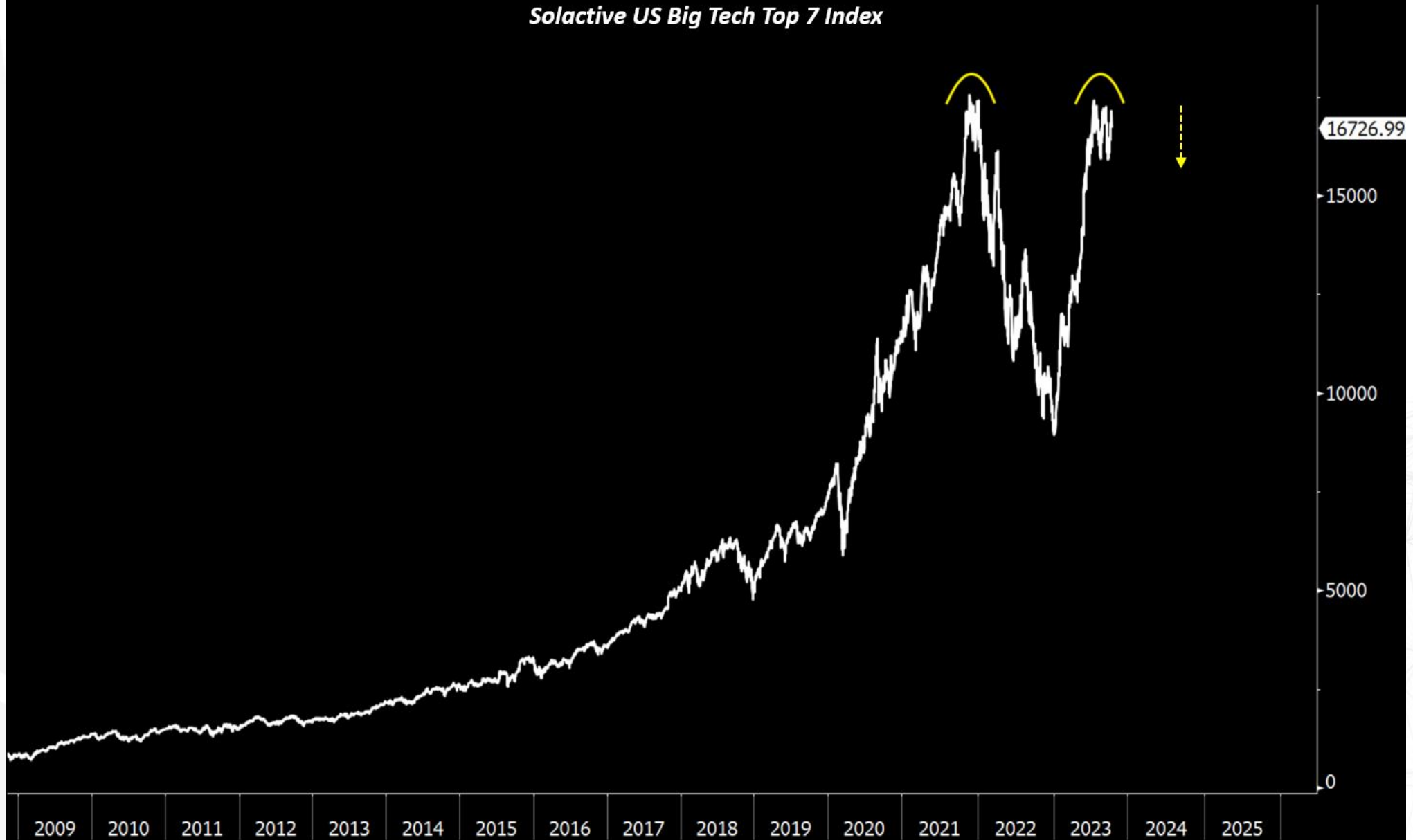
Source: Bloomberg; Tavi Costa

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# The Magnificent Seven

*Solactive US Big Tech Top 7 Index*



Source: Bloomberg; Tavi Costa

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# Junk Bonds Credit Spreads



Source: Bloomberg; Tavi Costa

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# Nasdaq vs. Treasuries

Calculation: Nasdaq 100 Total Return / Bloomberg Treasuries Total Return

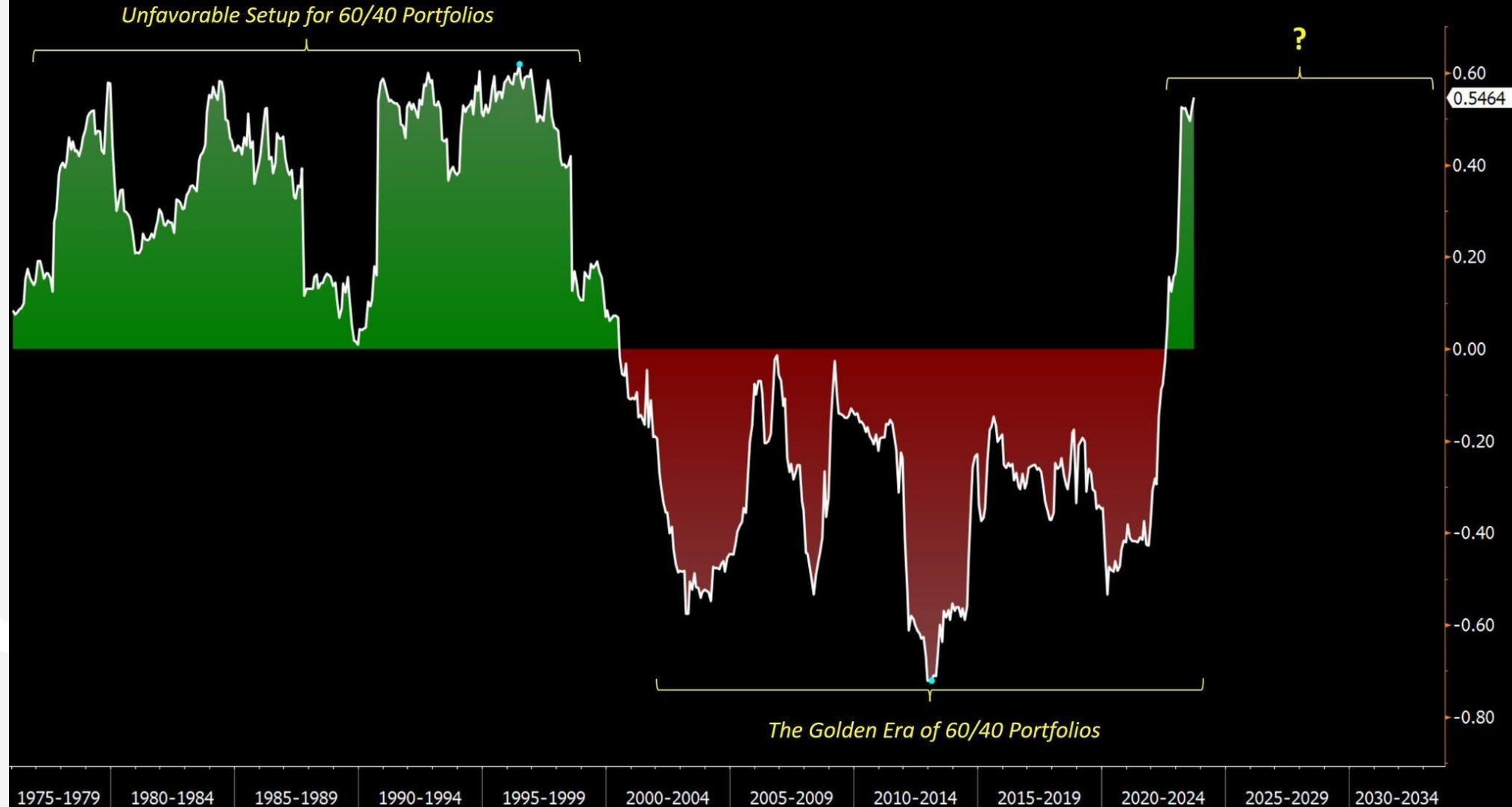


Source: Bloomberg; Tavi Costa

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# Correlation: S&P 500 Index vs. US Treasuries

3-Year Rolling Correlation Monthly: S&P 500 Index vs. Bloomberg US Treasury Index Total Return

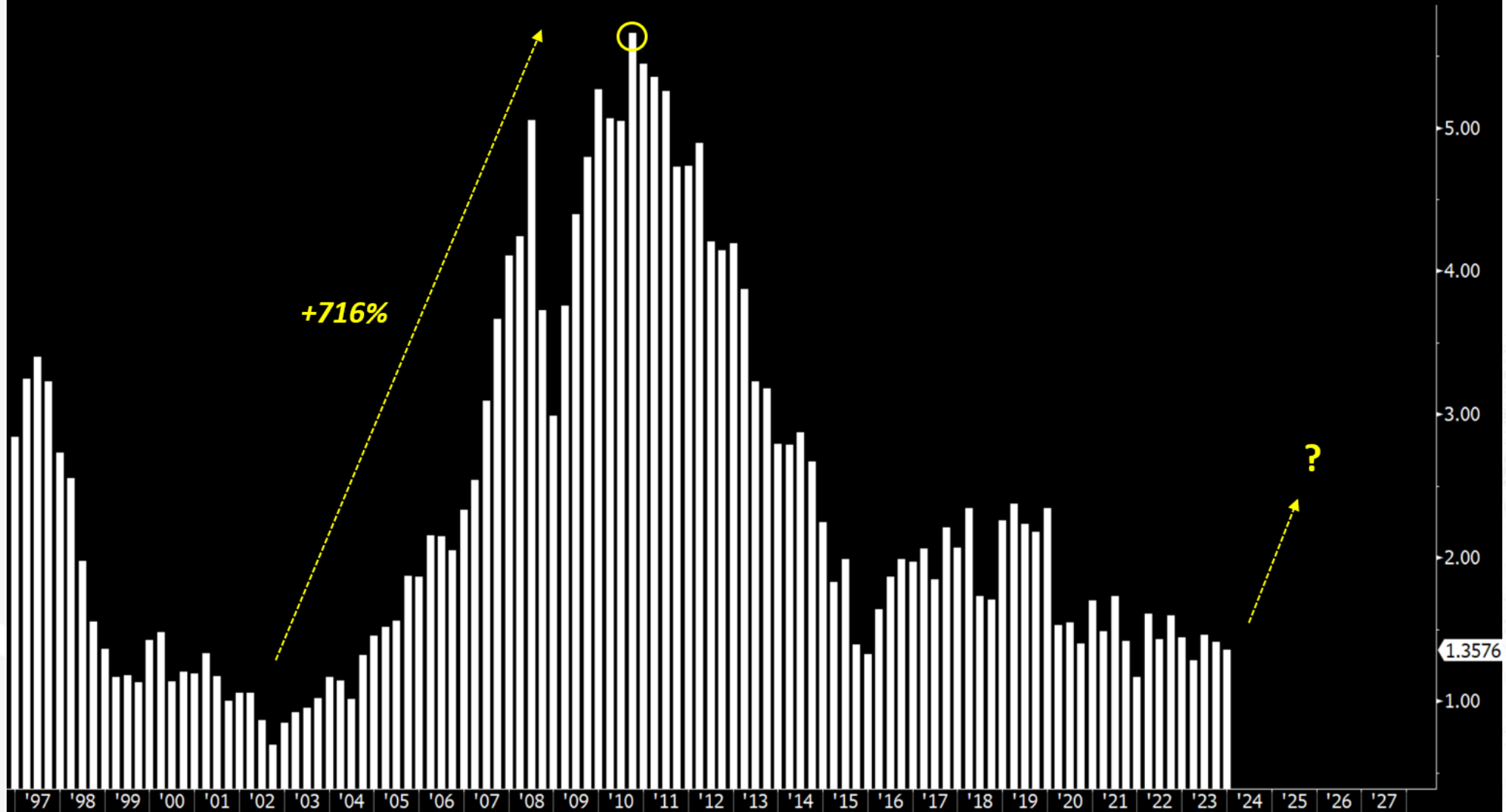


Source: Bloomberg; Tavi Costa

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# Brazilian Stocks As a % of the Global Equity Market



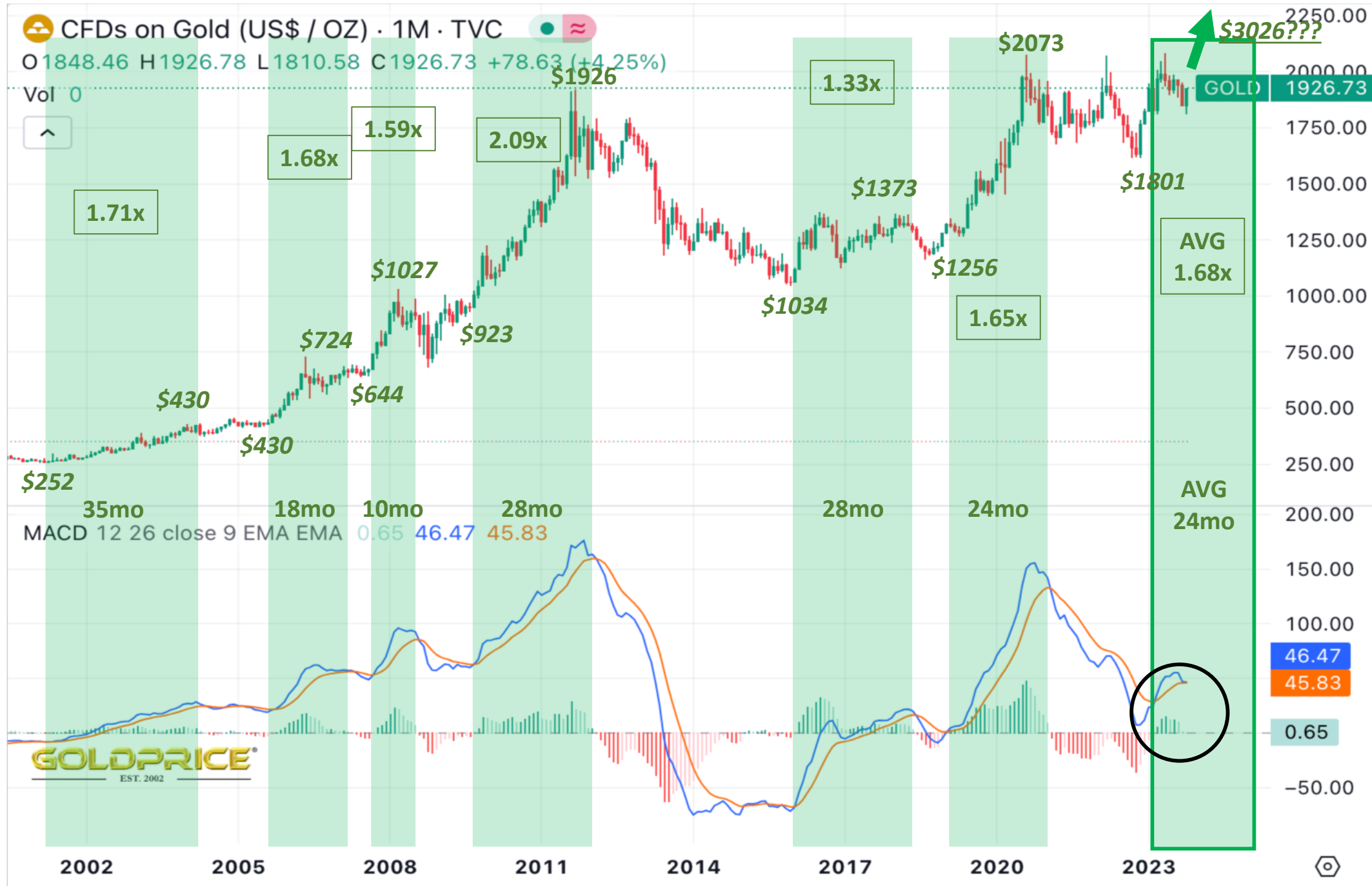
Source: Bloomberg; Tavi Costa

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CFDs on Gold (US\$ / OZ) · 1M · TVC  
O 1848.46 H 1926.78 L 1810.58 C 1926.73 +78.63 (+4.25%)

Vol 0



O 17.879 H 18.995 L 16.179 C 16.465 -1.414 (-7.91%)

Vol 0



SILVER

22.091

AVG

24mo

0.354

0.317

0.037

-2.000



# News

TSX-V: BIG | OTCQB: BADEF

[All](#)[2021](#)[2022](#)[2023](#)

OCTOBER 10, 2023

**Hercules Silver Intersects 185 Meters of 0.84% Cu, 111 ppm Mo and 2.6 g/t Ag, including 45 Meters of 1.94% Cu in First Deep Hole Drilled at Hercules**

**Table 1: HER-23-05 Reported Intercept**

Hole ID	From (m)	To (m)	Interval (m)	Cu (%)	Mo (ppm)	Ag (g/t)
HER-23-05	246	431.29	185.29	0.84	111	2.6
including	246	291.33	45.33	1.94	104	8.2

- **Blind copper porphyry discovered in first deep drill hole grading 0.84% Cu, 111 ppm Mo, 2.6 g/t Ag over 185m, including 45m of 1.94% Cu.**
- **Hole ended prematurely in mineralization due to drilling challenges. Step-out drilling indicates system extends considerably deeper.**
- **Mineralization open in all directions from discovery hole.**
- **Additional 3D IP geophysics underway to establish limits of the system and guide further drilling.**
- **Assays pending for additional step-out drill holes.**

Chris Paul, CEO and Director of the Company, noted: "We are incredibly pleased with the grades returned from our first blind drill hole into this new discovery. It has significantly exceeded our expectations, considering phyllic alteration typically occurs outside of the grade shell in porphyry copper systems. The strength of the alteration, veining and mineralization in HER-23-05 and subsequent step-out holes however is demonstrating the presence of a very large system which remains open in all directions.

HER-23-05 also represents the first significant porphyry copper system discovered in the state of Idaho, which breaks the discovery gap between BC and Nevada, presenting an entirely new district for porphyry exploration in a tier 1 jurisdiction.

The Triassic-Jurassic island arc geology of the Hercules Copper Belt is reminiscent of British Columbia's famous Golden Triangle, where some of the world's largest porphyry copper systems have been discovered. The Hercules Copper Belt, however, is accessible year-round, with excellent infrastructure and a supportive, pro mining state government."



# HYDROTHERMAL ALTERATION ZONES, MINERAL AND ORES IN A PORPHYRY COPPER DEPOSIT

## EXPLANATION:

Chl - Chlorite

Epi - Epidote

Carb - Carbonate

Q - Quartz

Ser - Sericite

K-feld - Potassium  
feldspar

Bi - Biotite

anh - Anhydrite

py - Pyrite

mag - magnetite

Kaol - Kaolinite

Alun - alunite

cp - chalcopyrite

gal - galena

sl - sphalerite

Au - gold

Ag - silver

mb - molybdenite

Phyllic

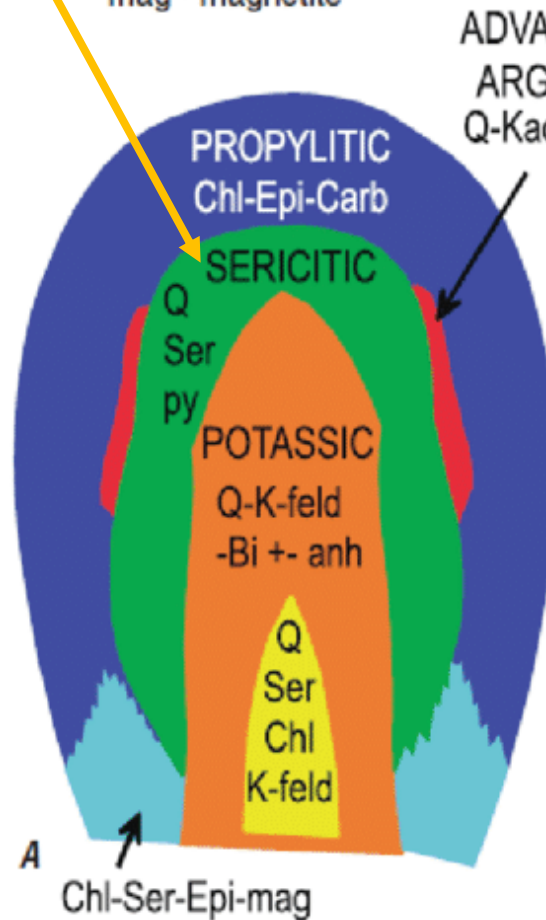
(C)

Exposure level  
of Iranian sites  
based on  
alteration  
mineral map

Location 1

Seridune  
Prospect

Sar Cheshmeh-  
Darrehzar  
Location 2



ADVANCED  
ARGILLIC  
Q-Kaol-Alun

PERIPHERAL  
cp-gal-sl-Au-Ag

PYRITE SHELL  
py 10%  
cp .01-3%

Ore

LOW  
PYRITE  
SHELL  
py 2%

LOW  
GRADE  
CORE  
cp-py  
mb

ORE  
SHELL  
py 1%  
cp 1-3%  
mb .003%

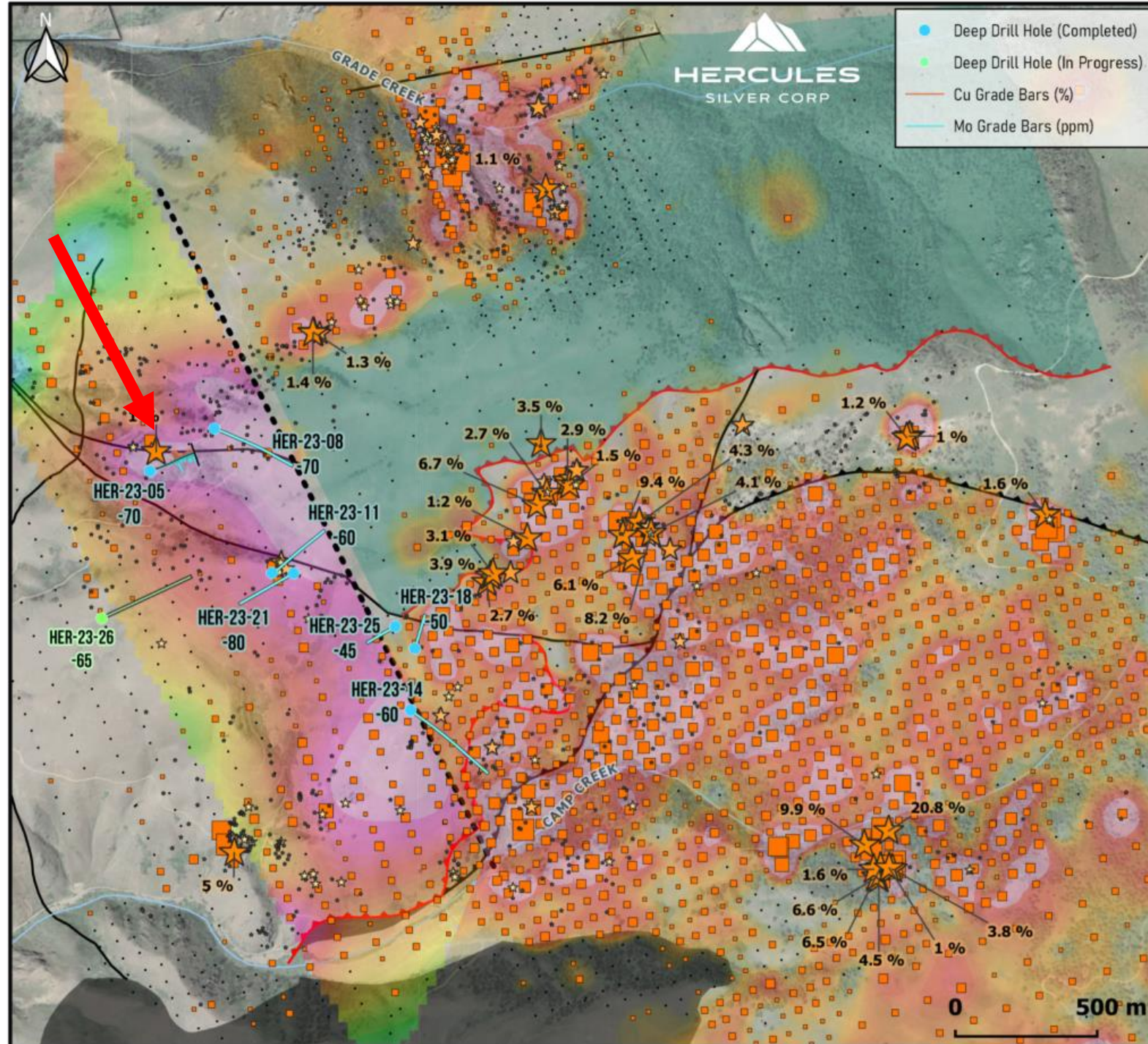
B

mag  
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mag  
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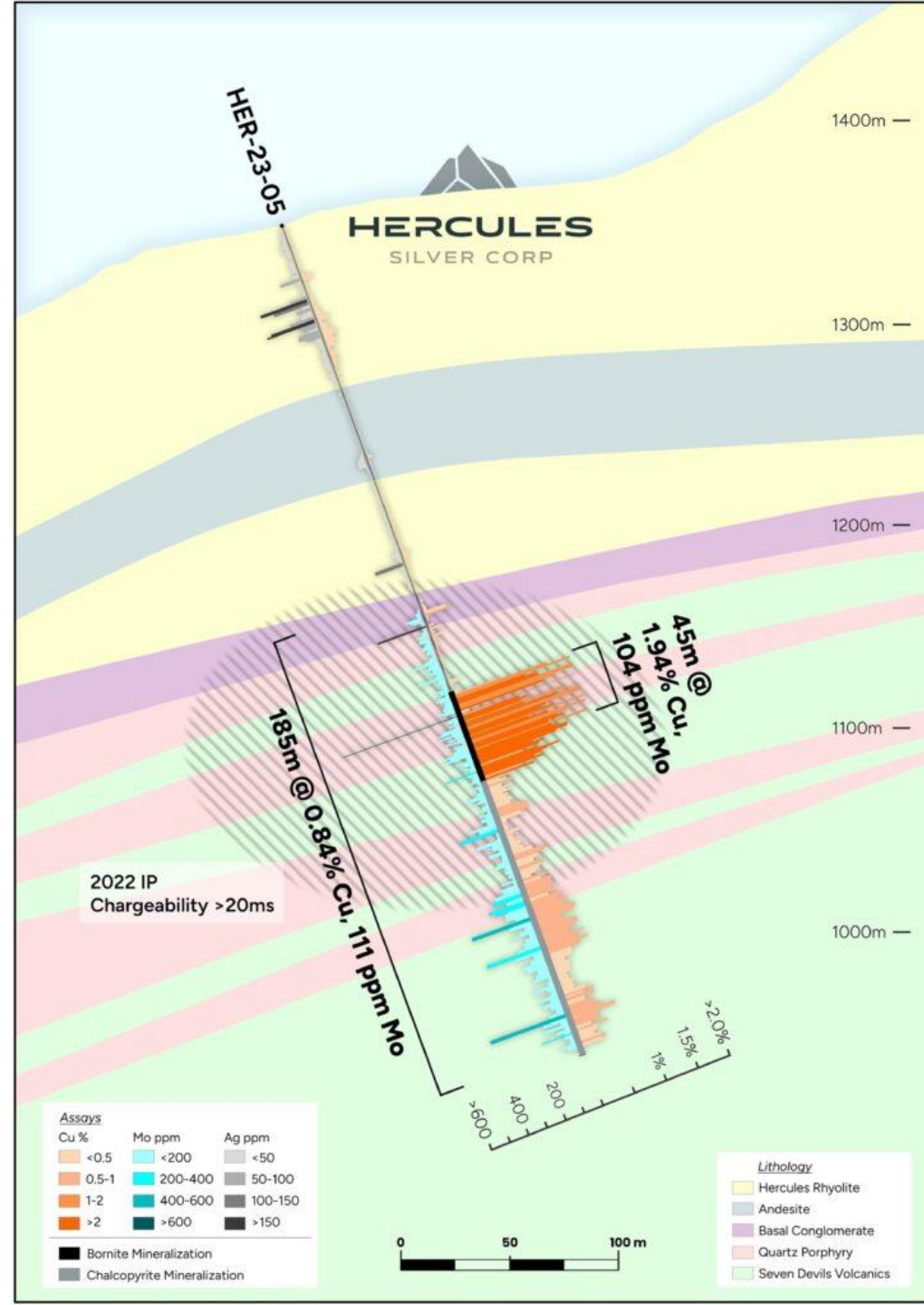
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Box 1

PN0000838024

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838  
B 30

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PN0000838025

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Box III 878.8 - 887.2

878.8

PN0000838028

882.2  
D-49  
R-49

PN0000838029

887.1



# News

Stay Up To Date

2023

2022

2021

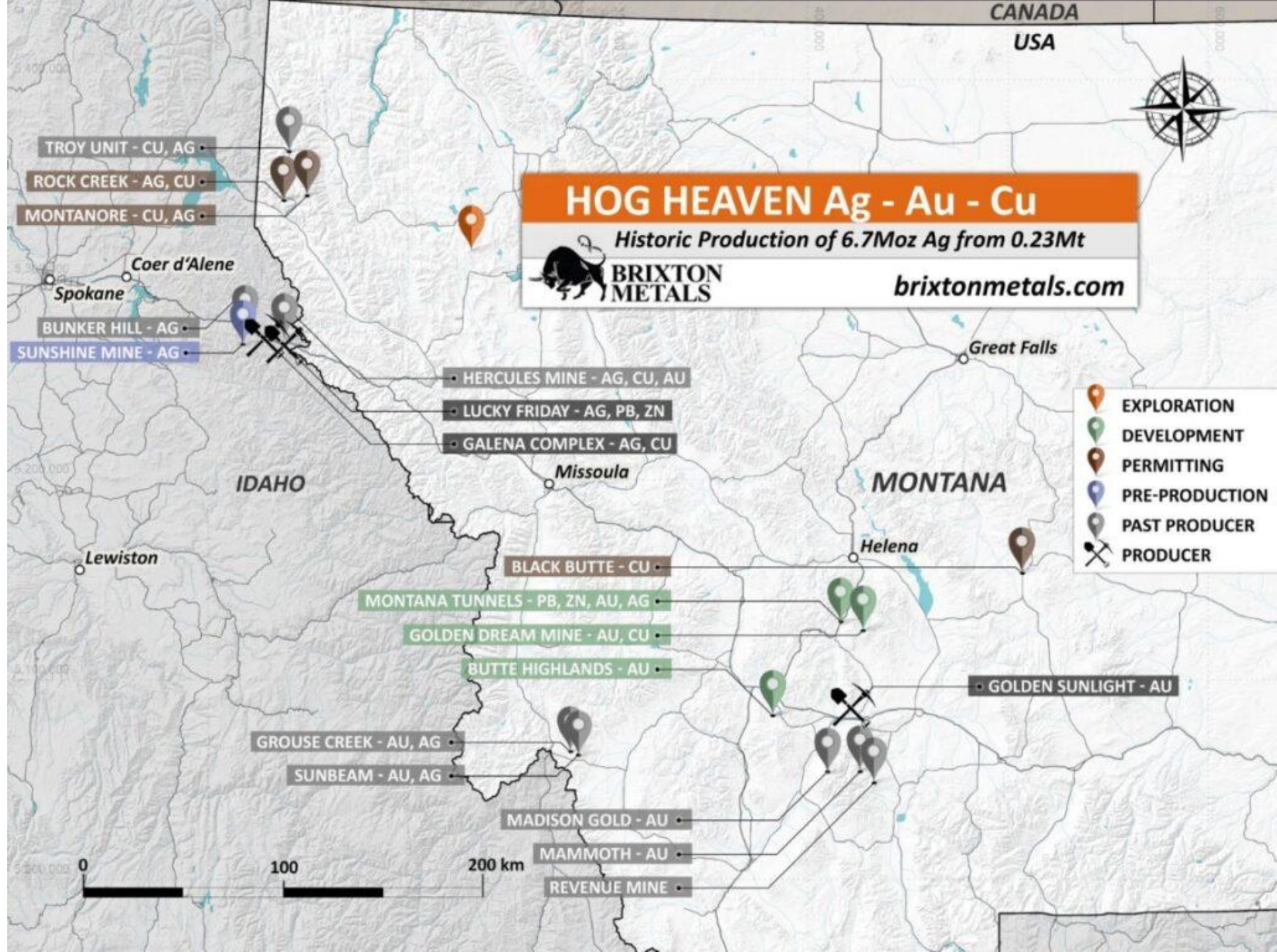


October 10, 2023

Brixton Metals Provides Initial Results on the Hog Heaven Project from Ivanhoe Electric which has Drilled 311 Meters Containing 0.35 g/t Gold, 22.89 g/t Silver, 0.36% Lead, and 0.55% Zinc, from 162 to 473 Meters

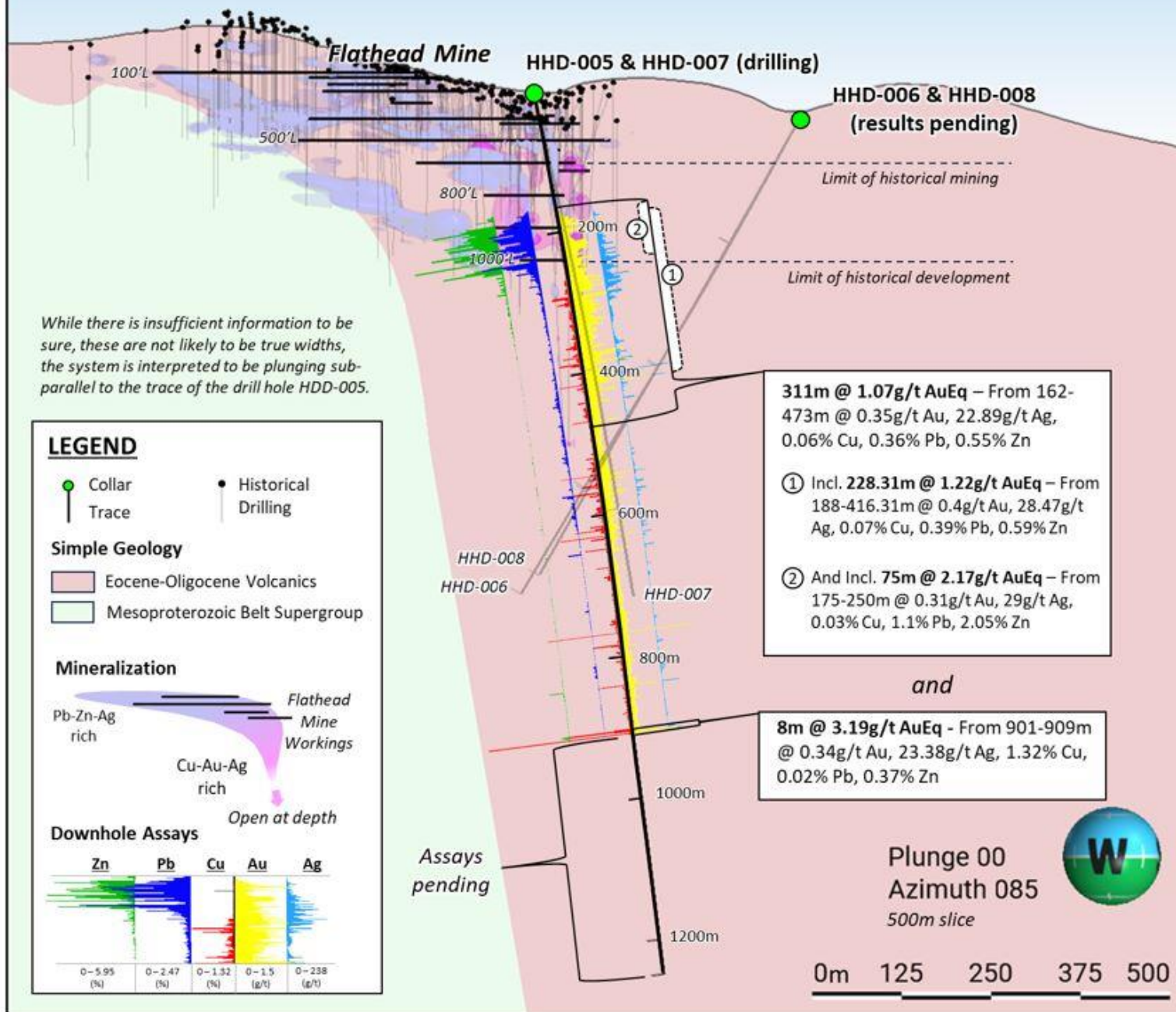
- Hole HHD-005 returned 311 meters of 1.07 g/t AuEq containing 22.89 g/t silver, 0.35 g/t gold, 0.06% copper, 0.55% zinc and 0.36% lead, including the bottom 8m yielding 1.32% copper, 0.34 g/t gold, and 23.38 g/t silver from 901m depth
- New evidence suggesting a deep porphyry copper source to the high-sulphidation epithermal mineralization
- Ivanhoe commences its Typhoon™ geophysical survey on the Hog Heaven Project





N (A)

S (A')









## NEWS

News Releases

## 2023 NEWS RELEASES

2023

2022

2021

2020

2019

2018

2017

2016

2015

2014

Oct 10, 2023

Lion One Pours First Gold At Tuvatu Mine In Fiji







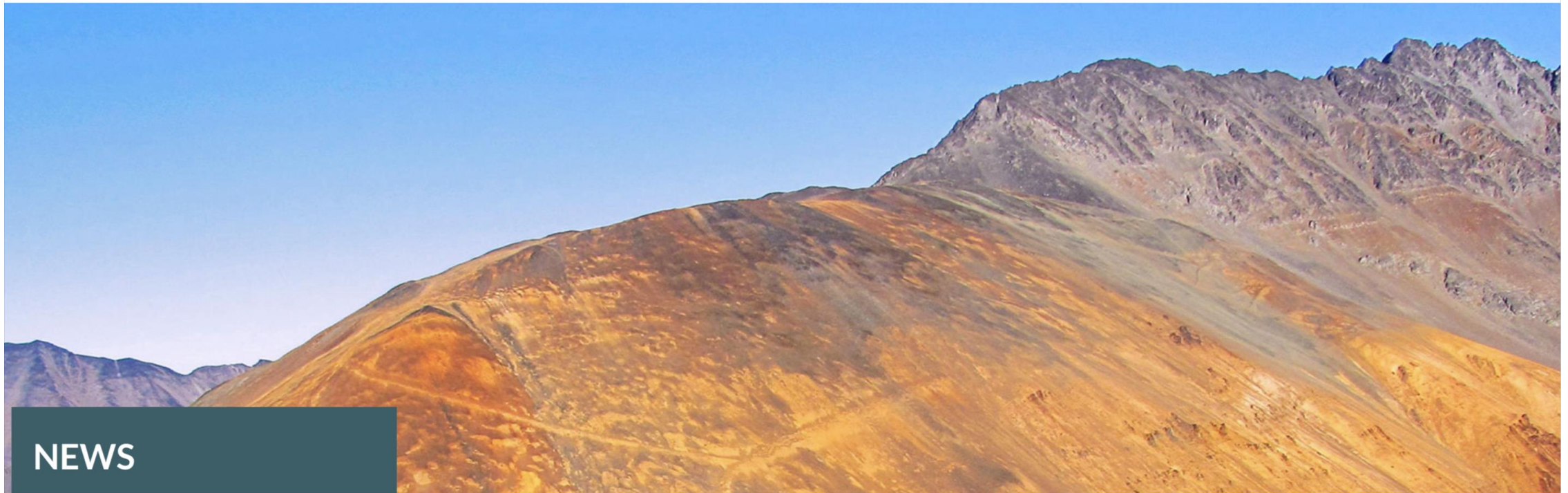












## NEWS

2023

2022

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2012

2011

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2006

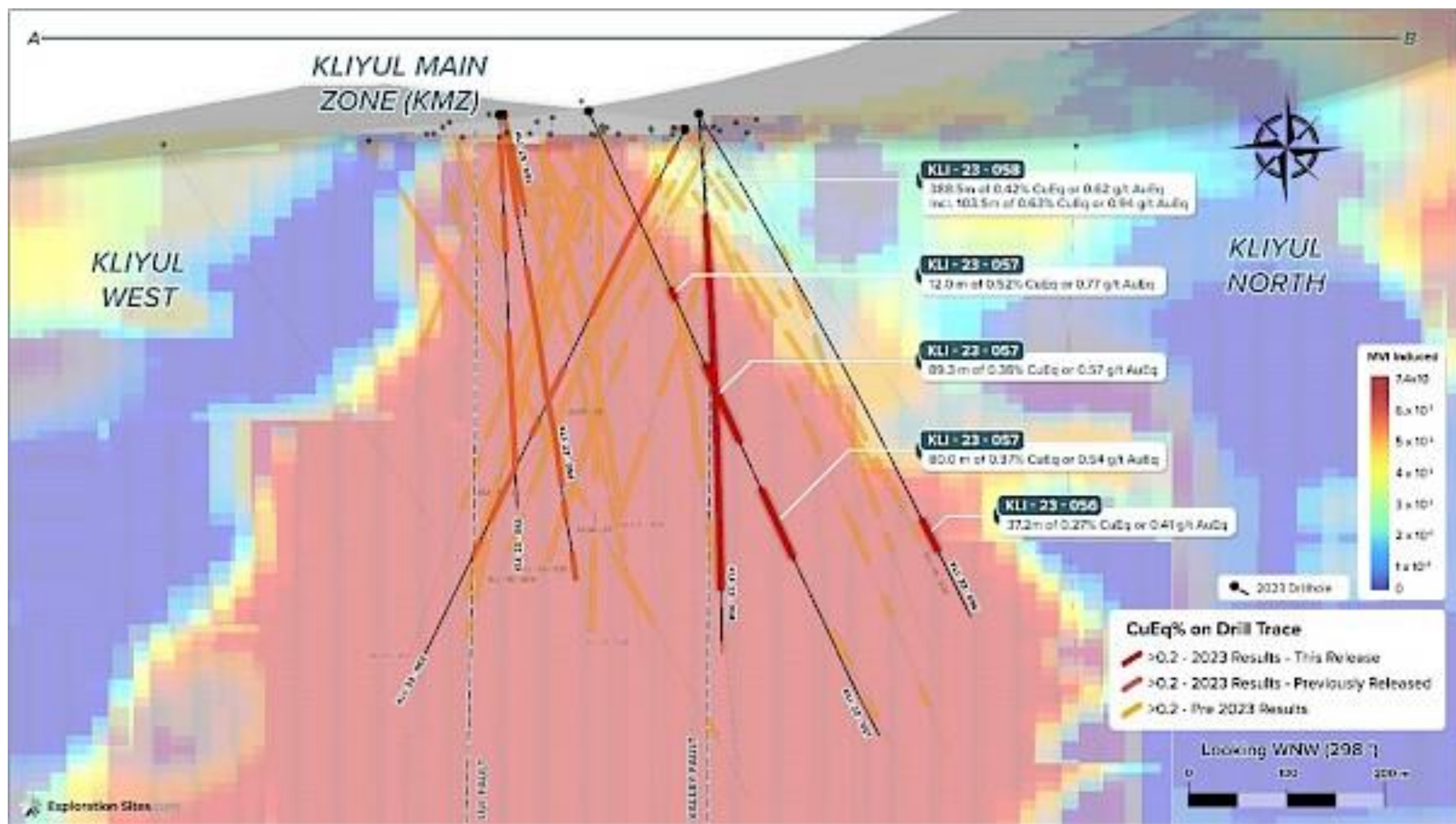
October 10, 2023

Pacific Ridge Intersects 103.5 M of 0.63% Copper Equivalent Within 388.5 M of 0.42% Copper Equivalent in Kliyul North Zone at Kliyul Copper-Gold Project

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