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June 26, 2021

Dear Investors:

A Tale of Two Destructive Outcomes

The greatest long-term investments are those capable of performing well under opposing inflationary and deflationary economic forces. Today's abundance of macro, fundamental and technical reasons to be a gold investor have never been greater. The ongoing monetary and fiscal disorder in the global economy underpins the onset of a secular bull market in precious metals.

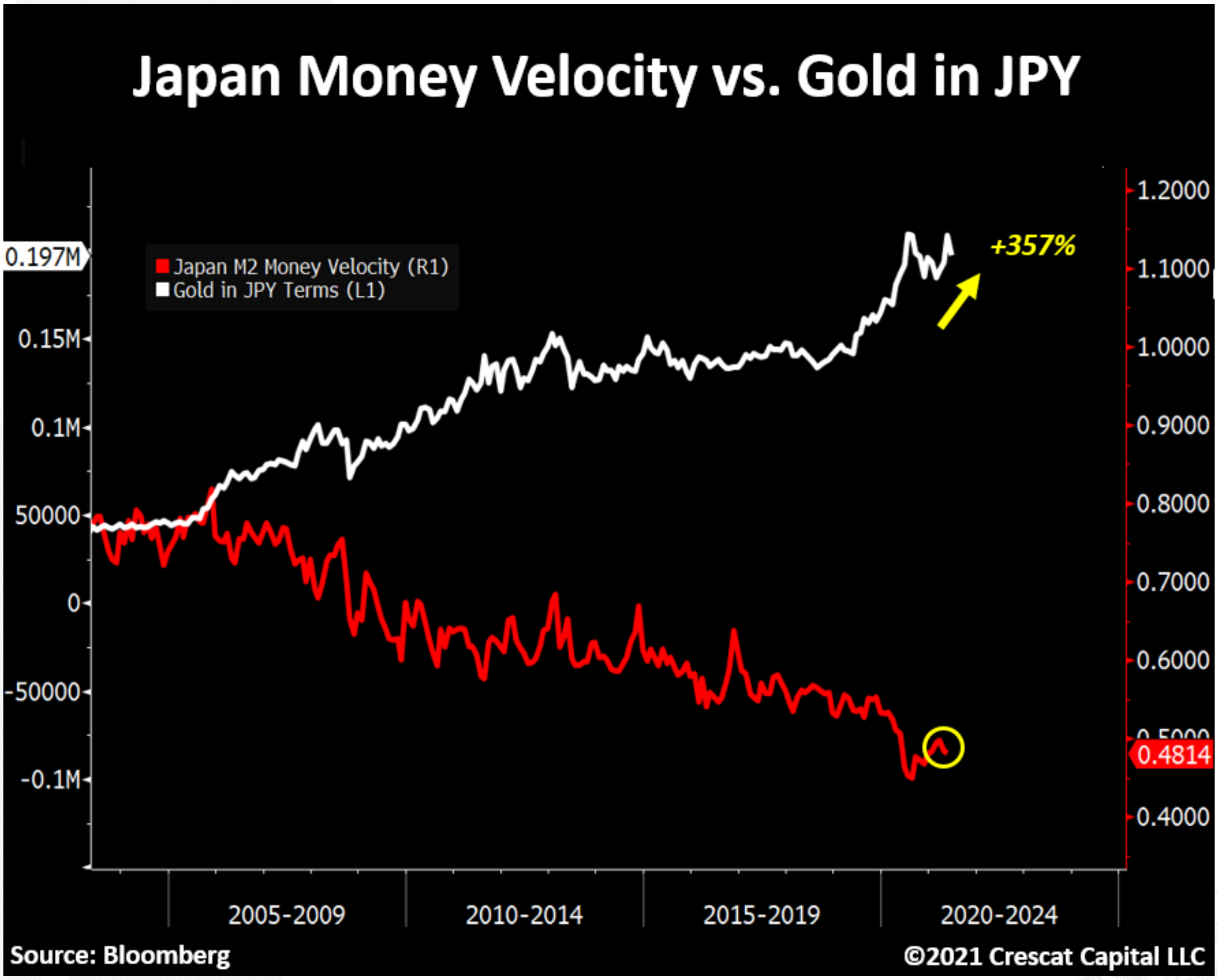
For us, there is no doubt that the Fed is cornered into choosing between only two destructive outcomes. On one side, it could decide to continue expanding its balance sheet to ensure subdued interest rates at the cost of setting off an inflationary problem. Or, it could take the deflationary route by reversing its unprecedently loose monetary policy, due to overheating economic conditions, resulting in a reckoning moment for financial assets from record valuations.

We weight a much higher probability that the inflationary backdrop will take place in the next few years, accompanied by a low economic growth environment (i.e., a stagflation). However, for now, let us consider the opposite course as a way of understanding the likely implications that investors may face.

The secular decline in money velocity is the key factor that feeds into the deflationary thesis. The Japanese economy is a great case study for this. While the Bank of Japan grew its balance sheet from 21% to 135% of its nominal GDP since 2000, the average annual increase in the country's Consumer Price Index (CPI) was a mere 0.1%. Wages and salary growth remained muted under an aging population, which is still a problem today. Also, the technological advancements we saw over those years tempered the price increases in consumer goods and services.

So now we ask, does such a deflationary set up even matter for precious metals investors?

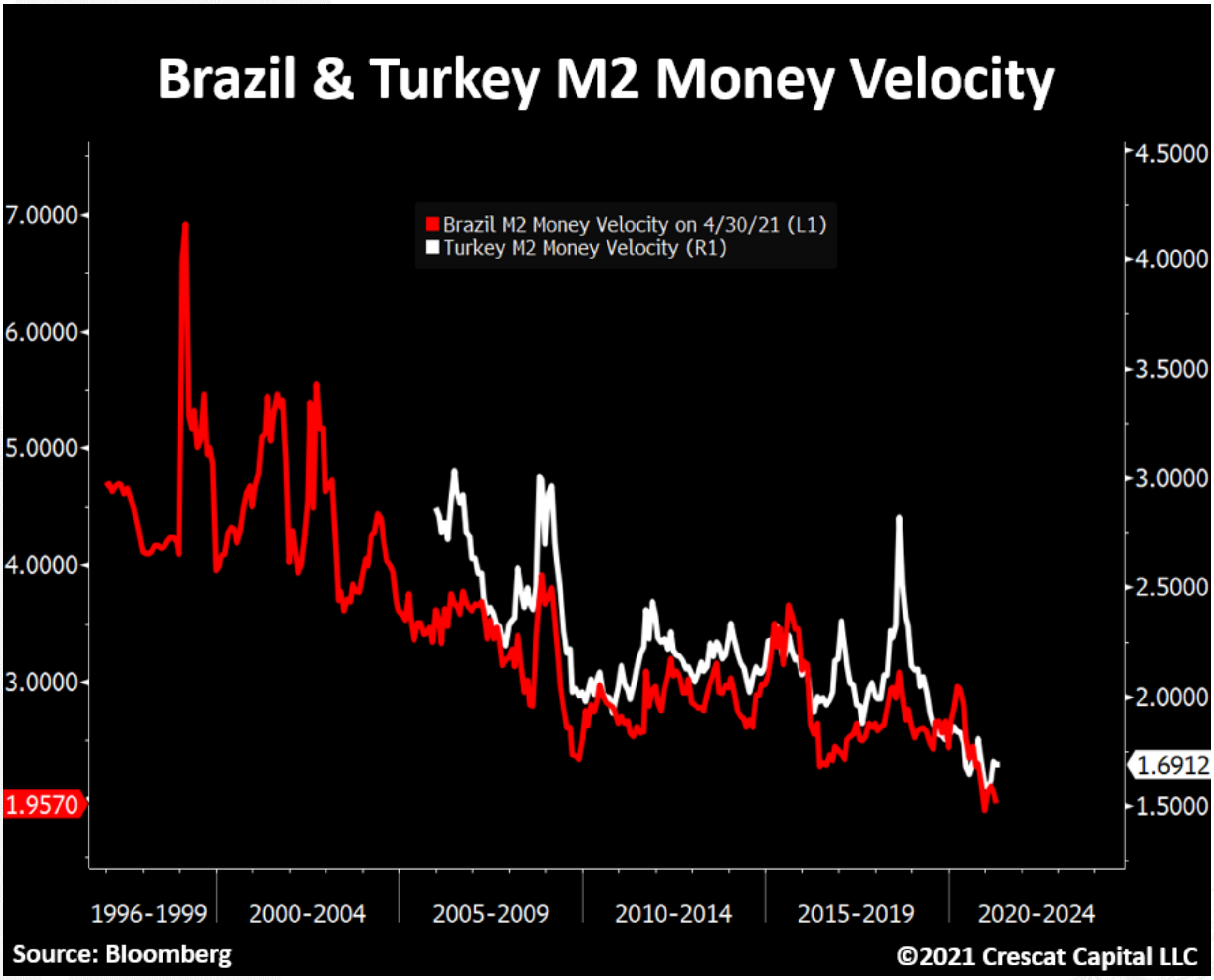
Interestingly enough, despite all these deflationary factors, gold in Japanese yen terms drastically diverged from money velocity, appreciating over 3-fold in the last 2 decades.



Rising Inflation Despite a Secular Downward Trend in Money Velocity

When money velocity falls, the private sector's willingness to hoard money, rather than spend it, is what tends to escalate deflationary forces in an economy. To add to this problem, near zero interest rate policies also cause financial institutions to become reluctant to lend capital to private institutions. We are seeing clear signs of that today. Commercial and industrial loans are down 16% from a year ago, the largest annual decline since the global financial crisis.

Nonetheless, like any other well-formed macro view, one should never rely on just one analog. There were plenty of examples in history of other economies that went through similar secular downward trends in money velocity but also faced inflationary problems. Turkey and Brazil would be great examples. Both economies suffered from significant currency devaluations while also experiencing the pressure of a rising consumer price environment.



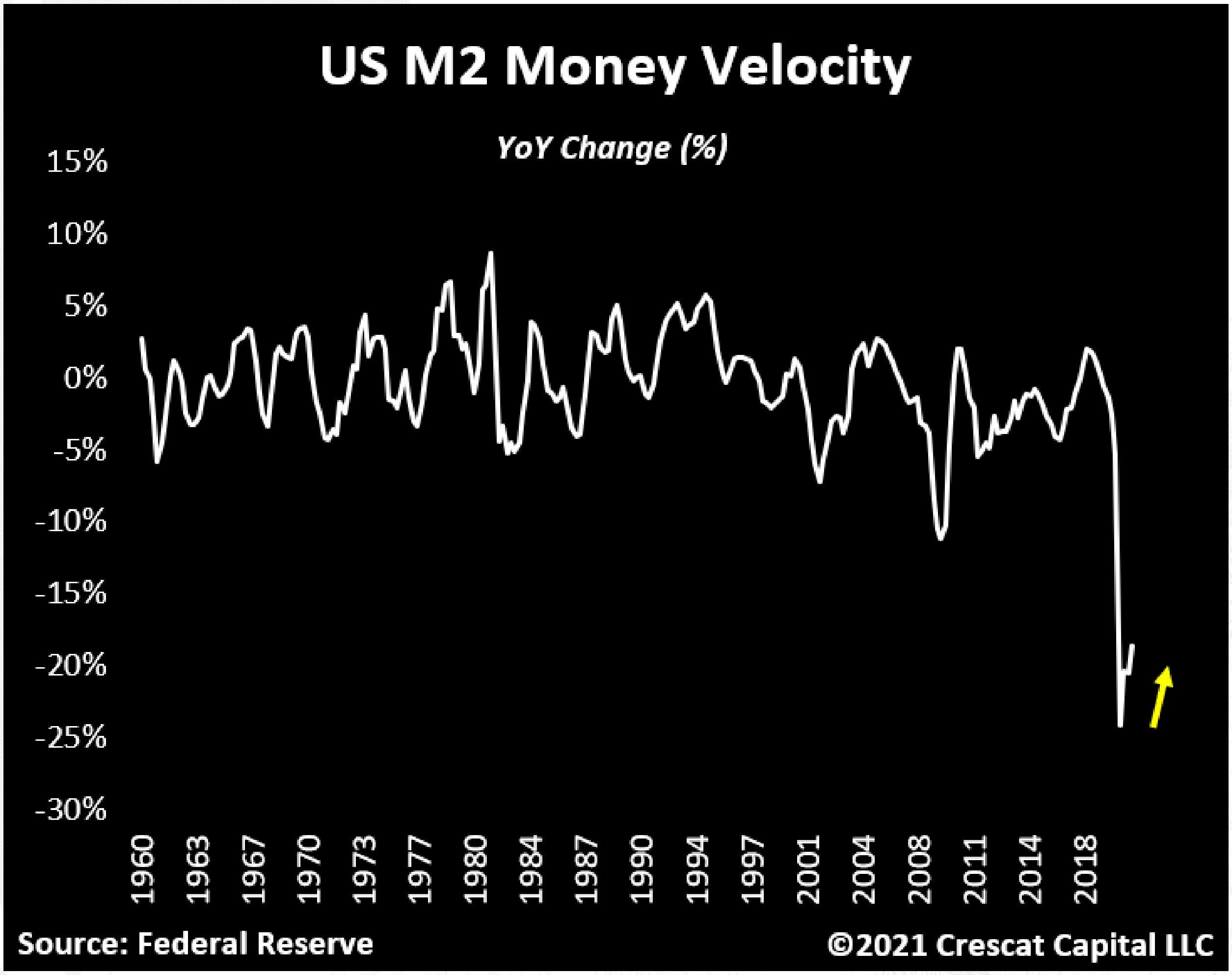
The Case for Inflation

Some folks would argue that using these two countries as a counter argument for the deflationary thesis would be rather inappropriate. To be fair, we do not disagree. The size of these economies, their high levels of dollar denominated debt, or even the fact that both do not possess reserve currency status certainly are important considerations. **However, ignoring today's vast list of inflationary drivers running at all cylinders also seems, to say the least, quite irresponsible:**

- $3.9 trillion added to the Fed's balance sheet since January 2020, almost doubling its size.
- The continuous need by policy makers to suppress interest rates and allow the government to spend WW2 size deficits while accumulating record amounts of debt, now at 140% of GDP.
- The largest wealth transfer from the government to the people in history, with the net worth for US households, including the bottom 50%, increasing by the largest amount in history.
- Over 10 years of under investments in natural resource industries creating a long-standing bottleneck in the supply of commodities.
- Significant amount of money in the sidelines with near $3 trillion of accumulated personal savings, almost twice the size of the prior historical peak.
- Lack of investments alternatives that yield more than inflation expectations hamstringing investors to seek historically cheap tangible assets, driving commodity prices higher.
- Helicopter money policies creating severe implications with labor shortages.

- A clear deglobalization trend developing with worsening US-China relations adding pressure on global logistics.
- The likely beginning of an upward move in commodities from near historic low price levels.
- The hesitancy by major energy and metals producers to replenish their reserves through new exploration and development projects creating long-term implications in supply of raw materials.
- The rise in popularity of the New Green Agenda and ESG principles constraining the exploration and production of certain commodities.
- The willingness of policy makers to overshoot their inflation goals with extreme stimulative programs now happening worldwide.
- Companies being pressured to increase wages and salaries to attract workers to return to the labor market.

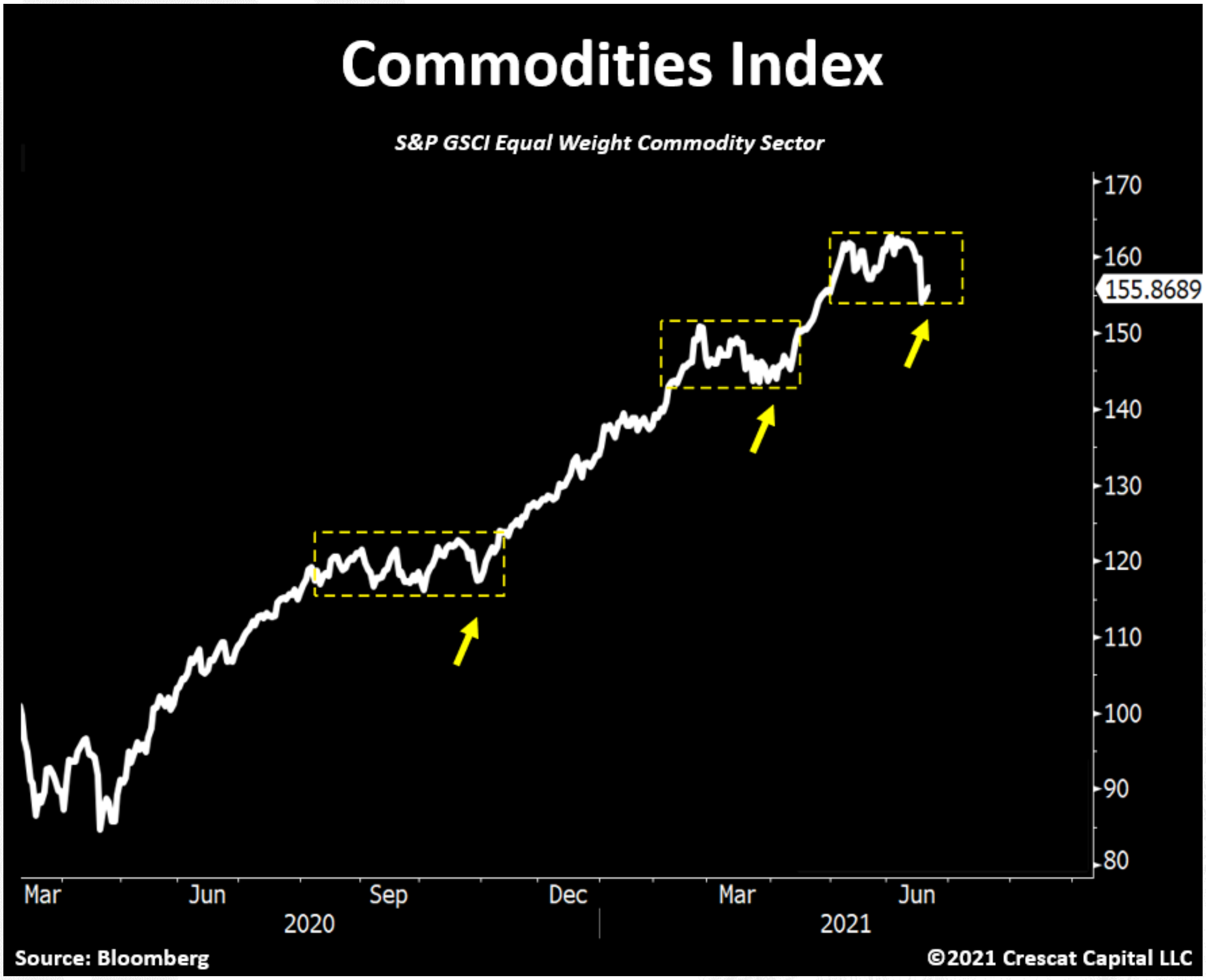
Also, to address the issue more directly, the rate of change of US money velocity has begun to turn up after such a steep decline. Sure, it is still early to call the bottom, but it has indeed been moving towards the inflationary direction for the last 3 quarters.



A "Transitory" Selloff in Commodities

What concerns us the most is the fact that policy makers have become exceptionally complacent when it comes to believing that today's record monetary and fiscal stimulus will not translate into longer lasting inflation. We happen to be on the other side of that bet. It is appalling how a Fed member with an inflation forecast of 2.5% for the end of 2022 is now considered hawkish these days.

What if we told you that the only transitory move we likely had was in the recent selloff in commodity prices? We think the hoarding of tangible assets by investors is just getting started.

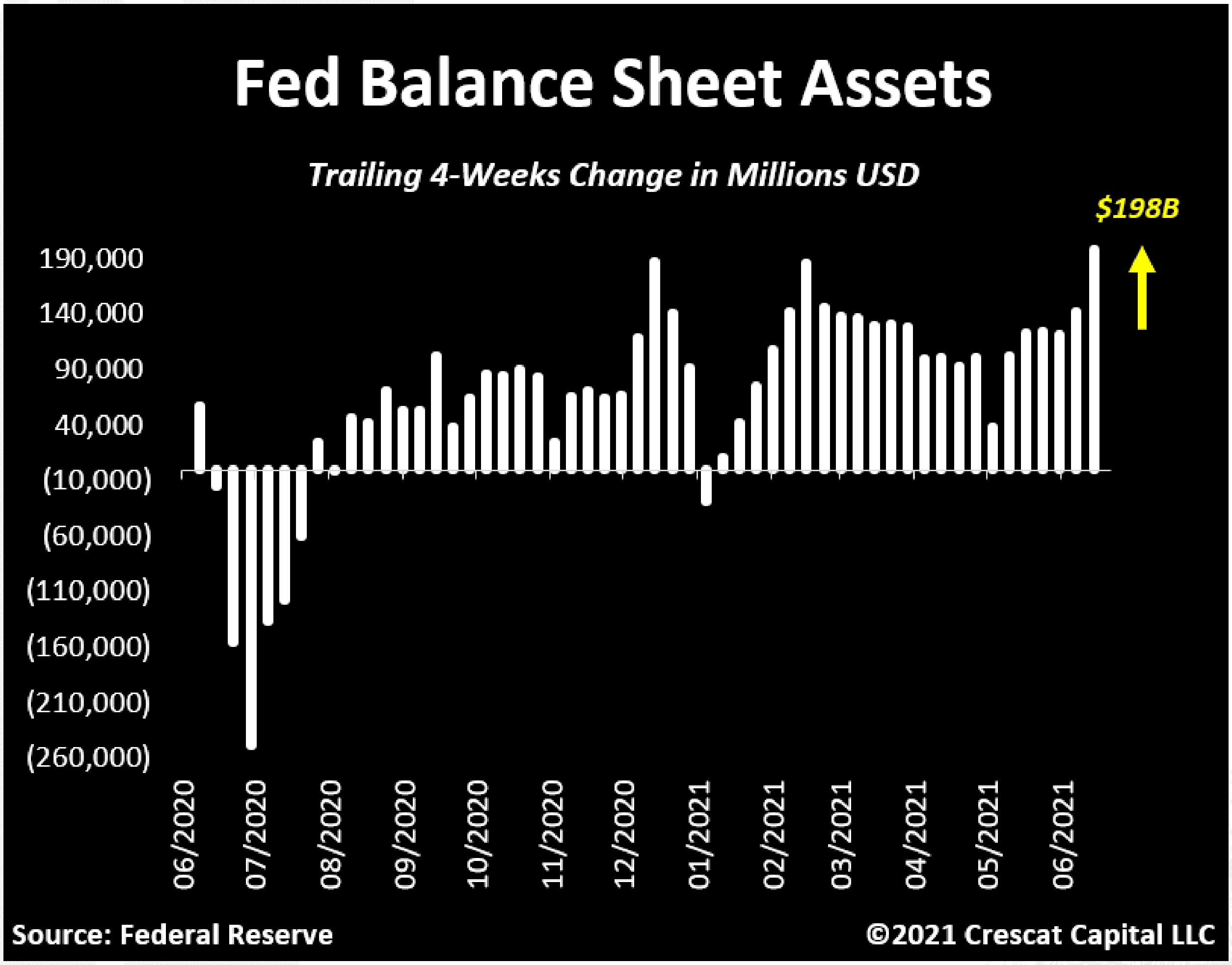


Pay Attention to What They Do, Not What They Say

It is a striking contradiction that the Fed decided to pivot the market narrative to its openness to tapering, though not raising interest rates until 2023. Meanwhile, it just reported that it added the largest amount of assets to its balance sheet in over a year. Nearly $200 billion in the last 4 weeks. Per their own statement:

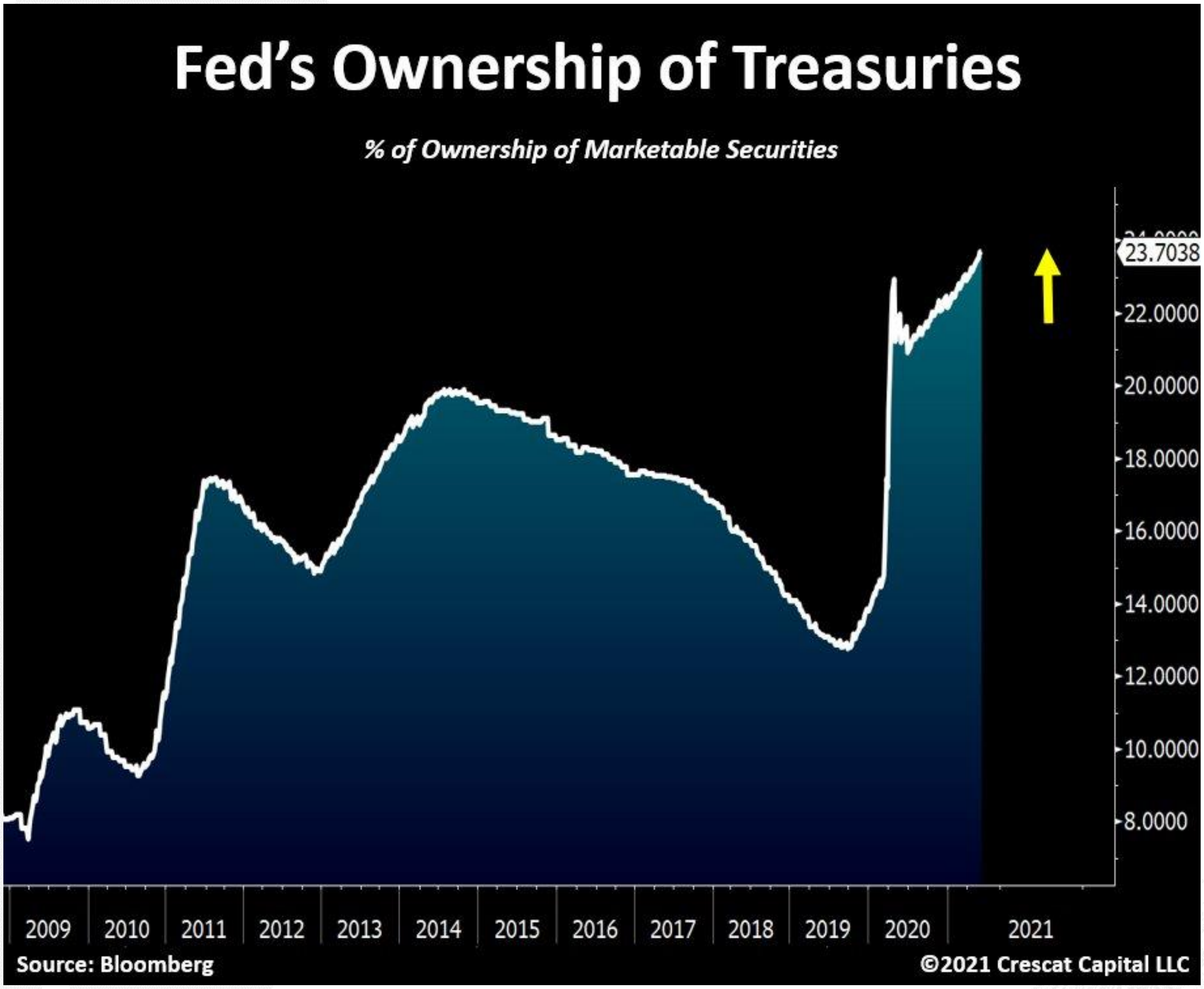
"The Federal Reserve will continue to increase its holdings of Treasury securities by ***at least*** *$80 billion per month and of agency mortgage-backed securities by* ***at least*** *$40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals."*

It looks like the "at least" part came in handy this time around. It was the opposite of a taper. If we could use the perfect analogy to describe their message for raising interest rates into plain words, it would be the "we are debating if we should start a diet 2 years from now".



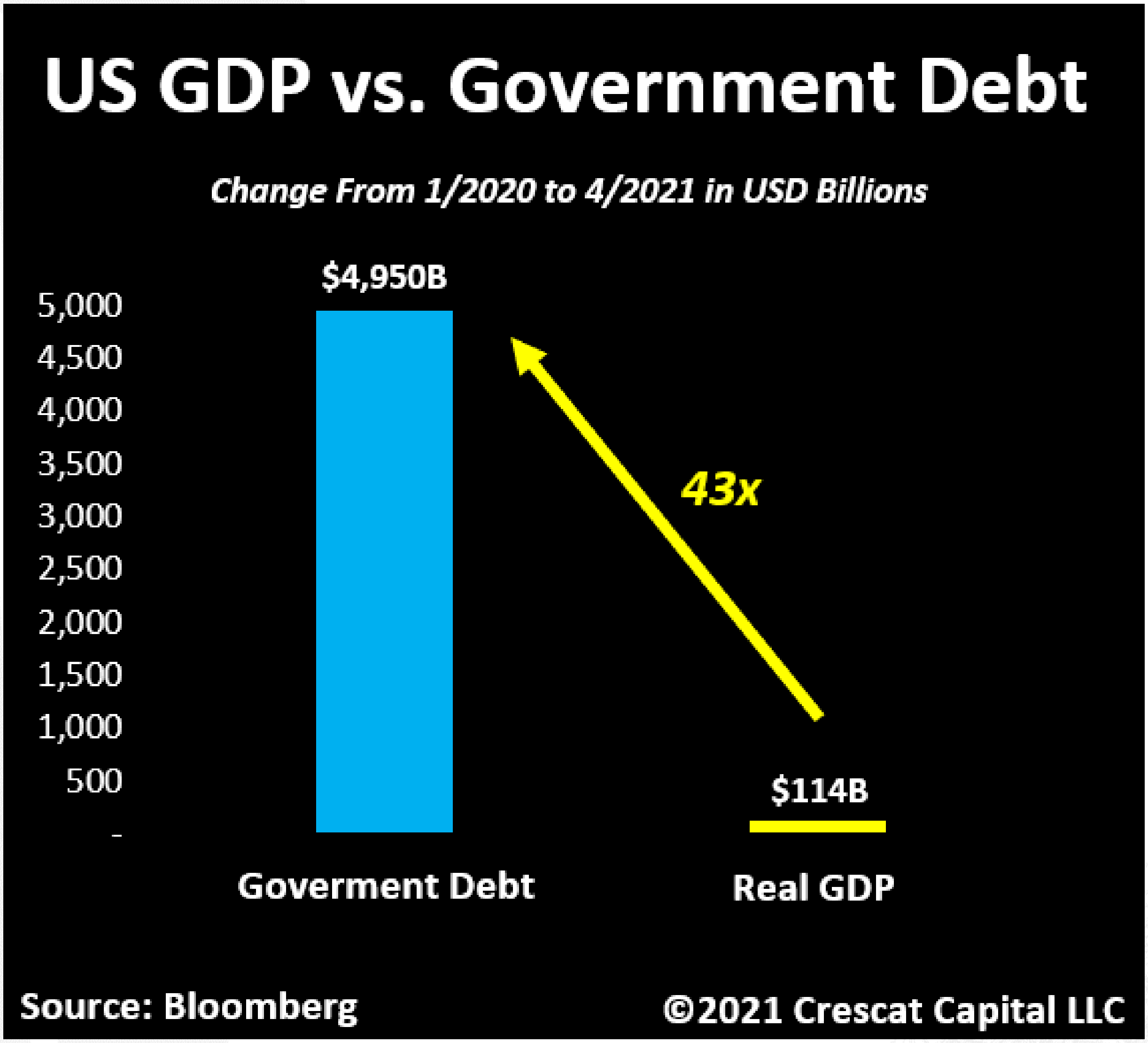
The Fed Owns Almost 25% of Treasuries Outstanding

Those assuming falling nominal yields indicate that inflation is transitory either have no clue that the Fed is buying $80 billion of Treasuries a month, or they just choose to ignore it. More importantly, the fact that nominal yields rose recently in the face of larger purchases of Treasuries by the Fed tells you why policy makers are truly trapped.



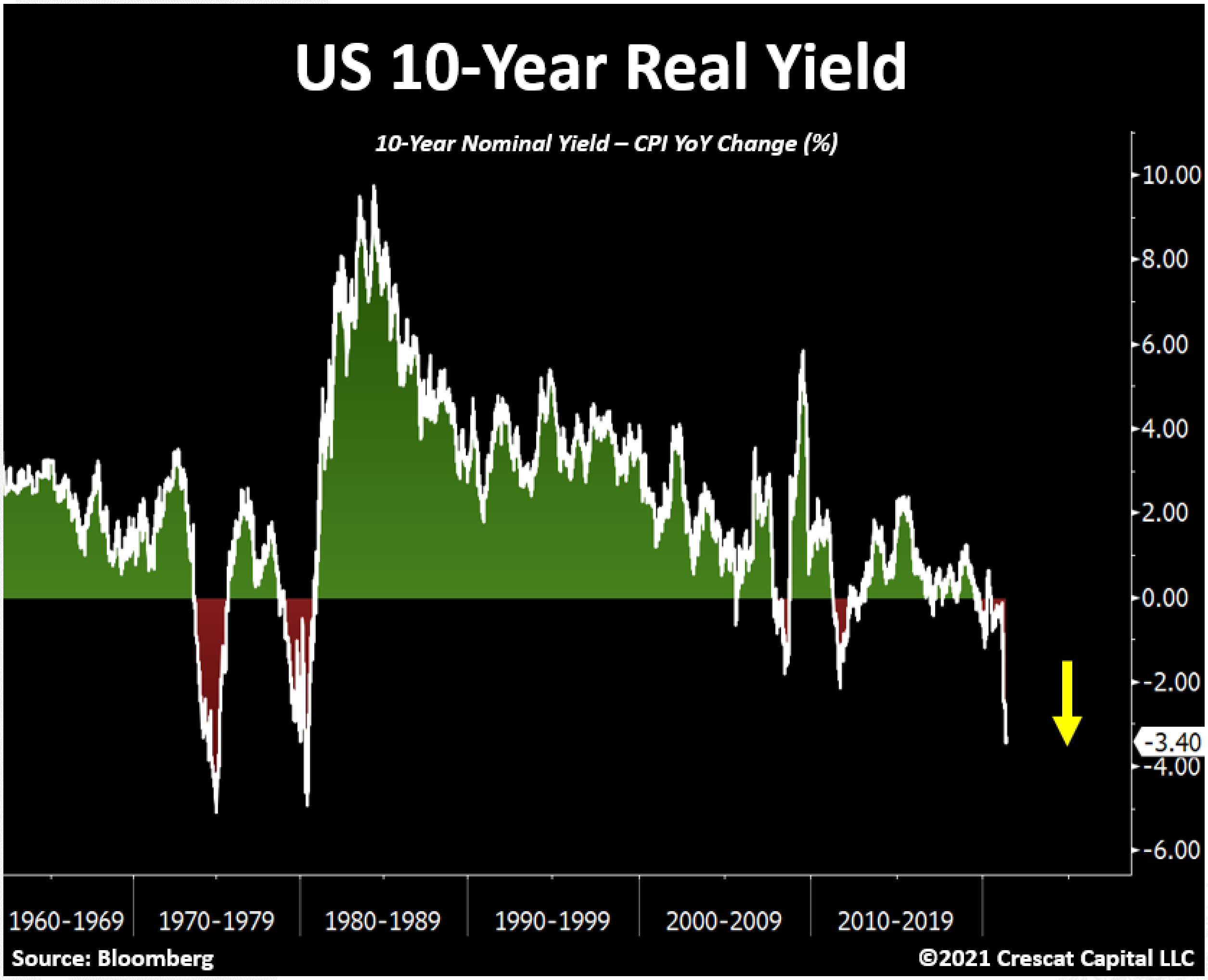
43 Units of Debt for 1 Unit of Real Economic Growth

The recent growth in US government debt relative to economic growth has been astonishing. To put this into perspective, since January 2020, real GDP grew by $114 billion. Meanwhile, during the same time, government debt increased 43x that amount. This was perhaps the most unproductive use of capital that we have seen in history.



A Key Macro Driver for Precious Metals

The last time real yields reached such low levels was in the 1970s when policy makers called for a war on inflation. Today, they are welcoming it. It's the most bullish macro set up for precious metals in over 50 years.

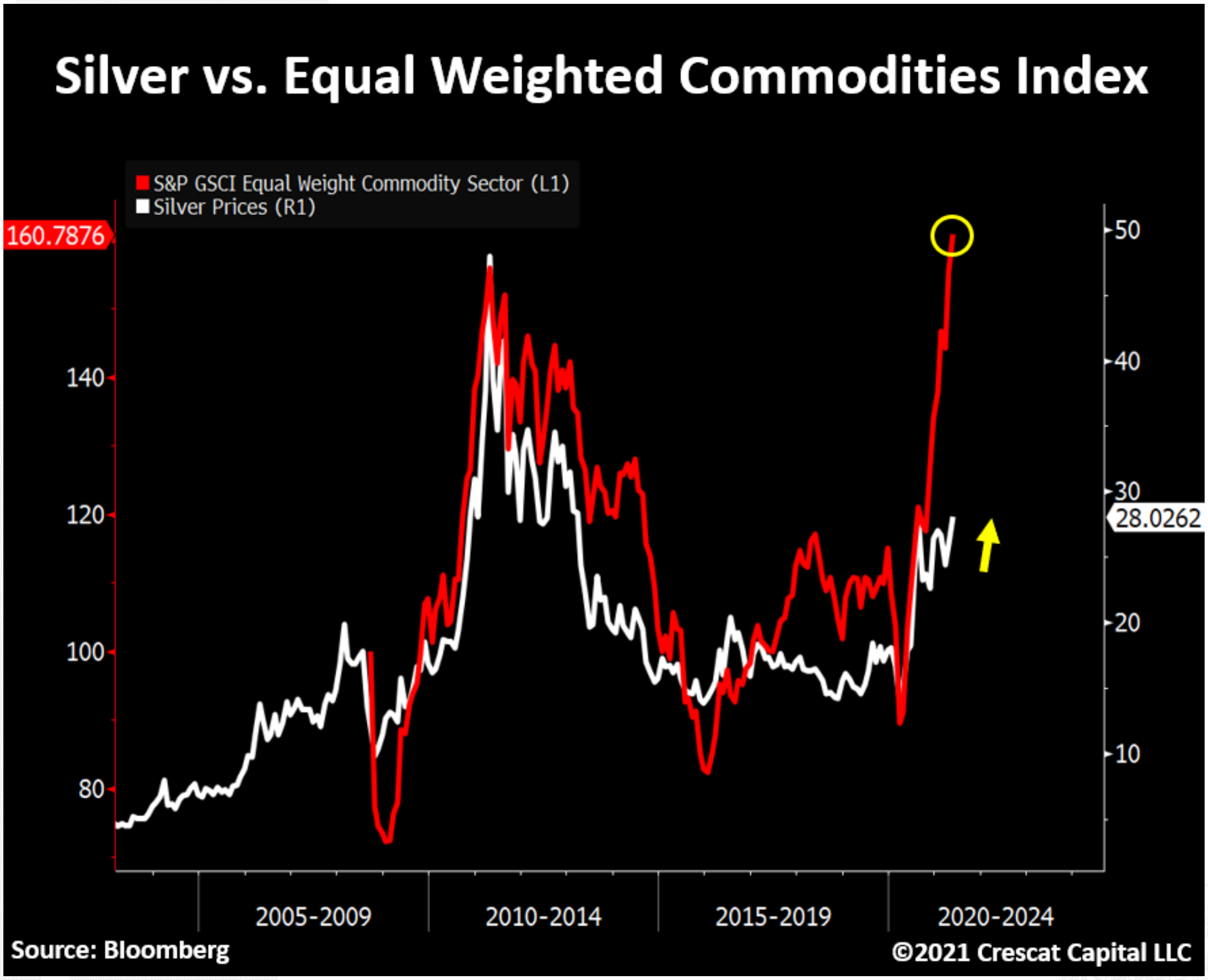


The Beginning of an Opportunity, Not the End of One

Imagine calling commodities the peak of a bubble today. Well, there are plenty of investors in that camp. We think it is important to zoom out and look at the profusion of reasons to own tangible assets that we showed above. In an environment of rising inflation, where most financial assets are at record valuations and yield less than inflation expectations, commodities and natural resource stocks offer strong value properties and near-term high growth tailwinds.

Explosive Setup Ahead

Energy, base metals, and agricultural commodities have led the latest rush we saw towards commodities. Therefore, the S&P GSCI Equal Weighted Commodity Sector index is now completely diverging from silver prices. We think there is a catch-up trade for precious metals that has been consolidating since August 2020.

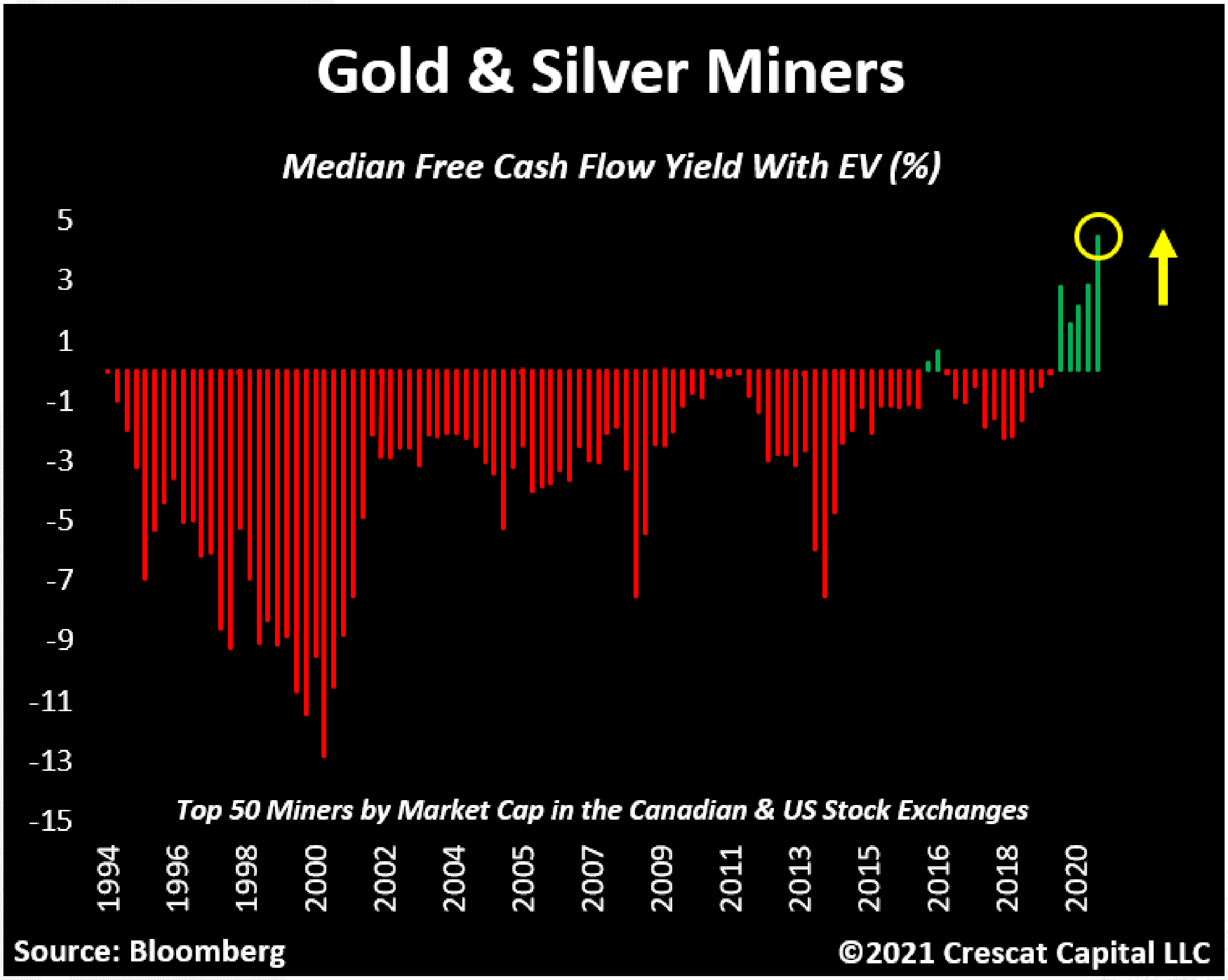


Miners: Value and Growth Opportunity Now Technically Oversold

We challenge investors to find an industry other than gold and silver miners with triple digit free-cash-flow growth, insanely cheap valuations, a strong balance sheet, profitability on the rise, and, on top of it, that is now historically oversold.

Industry Strength

The precious metals industry is also on track to report six straight profitable quarters for the first time in history. If we look at the top 50 miners by market cap in the US and Canadian exchanges, the median free-cash-flow yield is at its highest level in 26 years.



Capital Flows Picking Up

We are also seeing unprecedented amounts of capital flowing into silver ETFs. It is happening across senior and junior silver miners and even tradable instruments that solely track silver prices. For instance, the Global X Silver Miners ETF (SIL) assets are near record levels while the ETF price remains 47% lower than its prior peak.

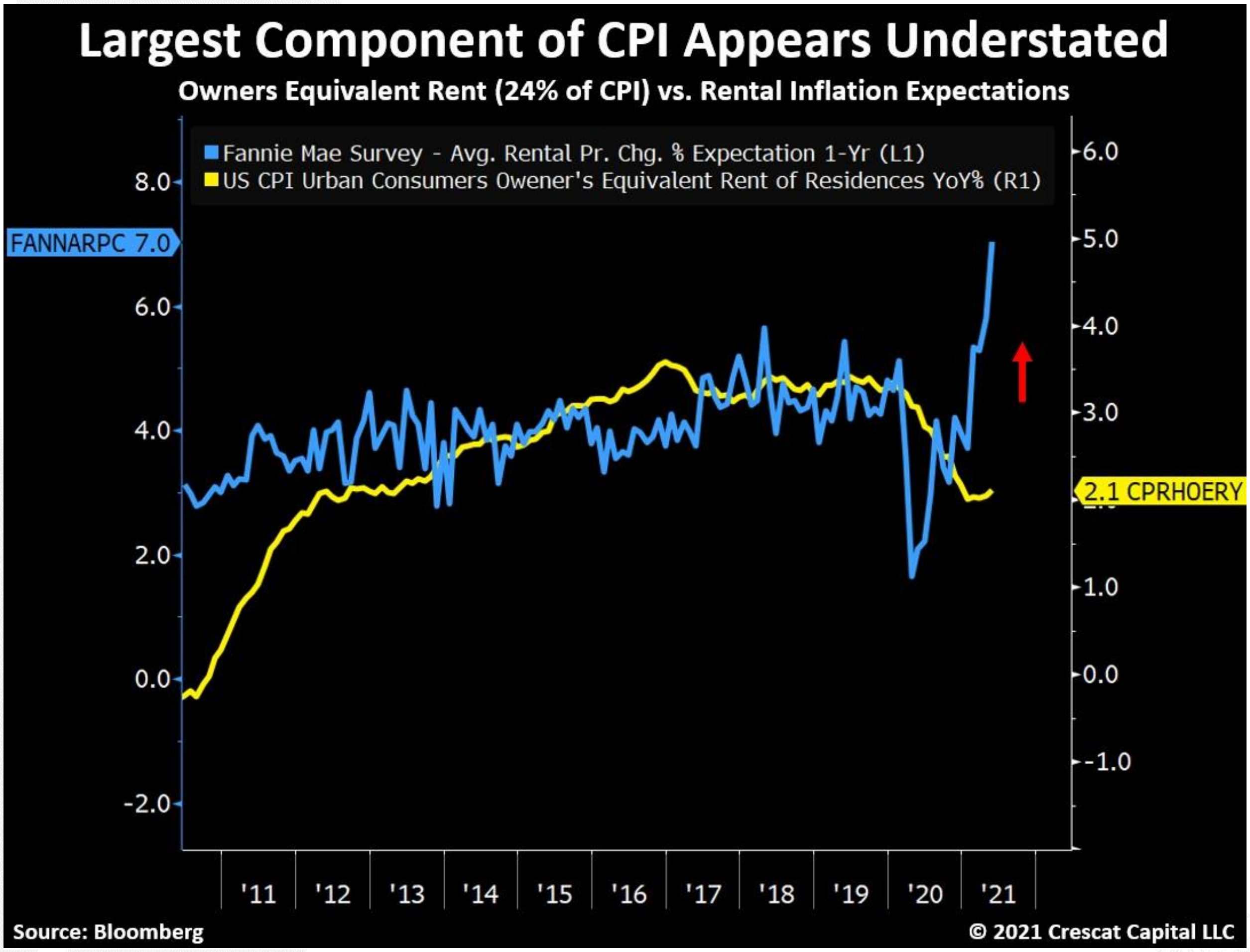
The "Transitory" Propaganda

The Fed talked inflation expectations down in June with its "inflation is transitory" campaign and hawkish Fed meeting. It was a one-two punch for gold and other commodities in the short run that should prove all bark and no bite. We believe it is a gift that has created a great entry point today, and that precious metals prices are poised to be reversing back up post-haste.

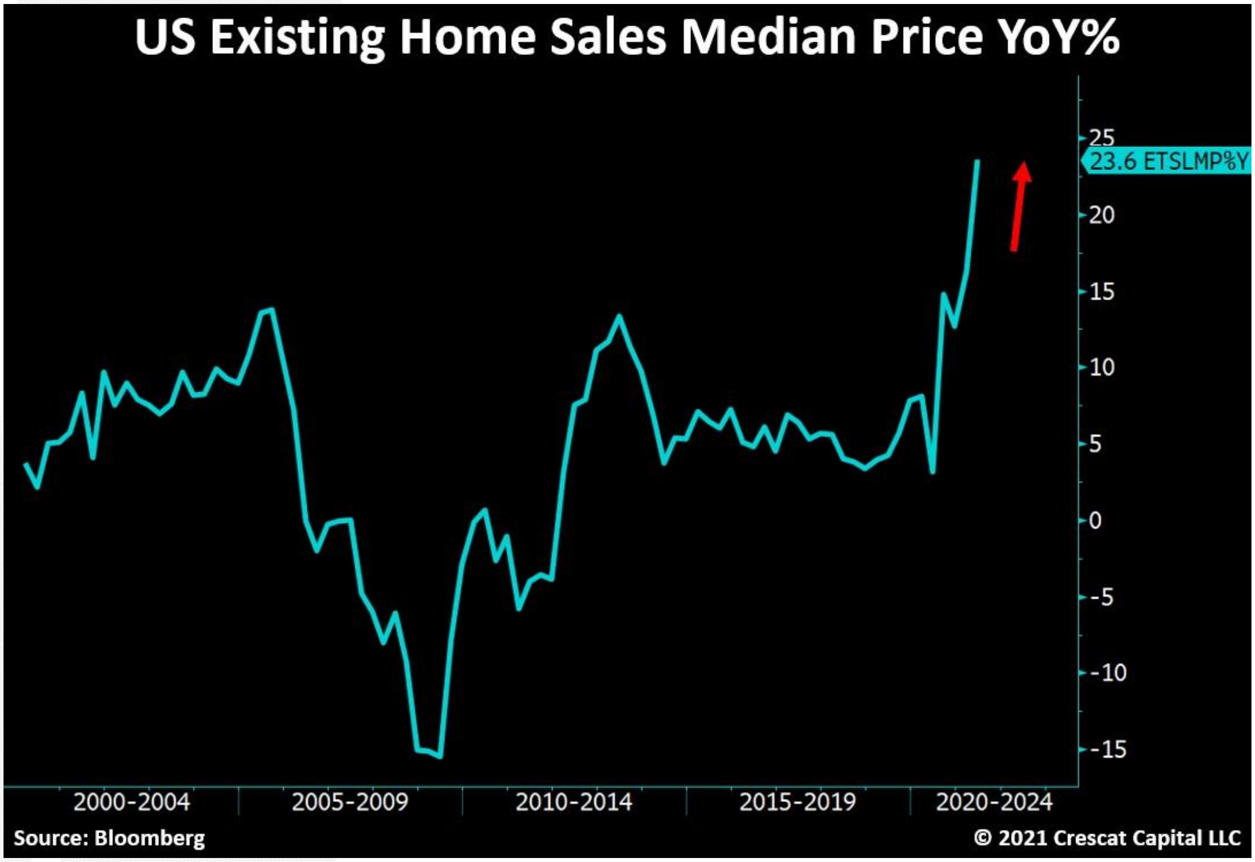
CPI is a Lie

The propaganda campaign also caused a countertrend move in the growth-to-value rotation, a shift that is still in its early innings in our analysis. Such counter trend moves are likely to prove short-lived, as they have little support from the preponderance of fundamental and macro data.

Indeed, inflation is a much bigger problem than is being acknowledged by policy makers and their statisticians. Home buyers expect rents to be up 7%, according to a recent Fannie Mae survey, but the Bureau of Labor Statistics tells us that Owner's Equivalent Rent is up only 2.1%. Furthermore, the BLS has the audacity to make OER the largest component of the Consumer Price Index giving it a 24% weight.



In the meantime, actual home price inflation is running at an insane 23.6% annualized rate. Our government's CPI statistics are a disgrace.



Crescat's Overall Positioning

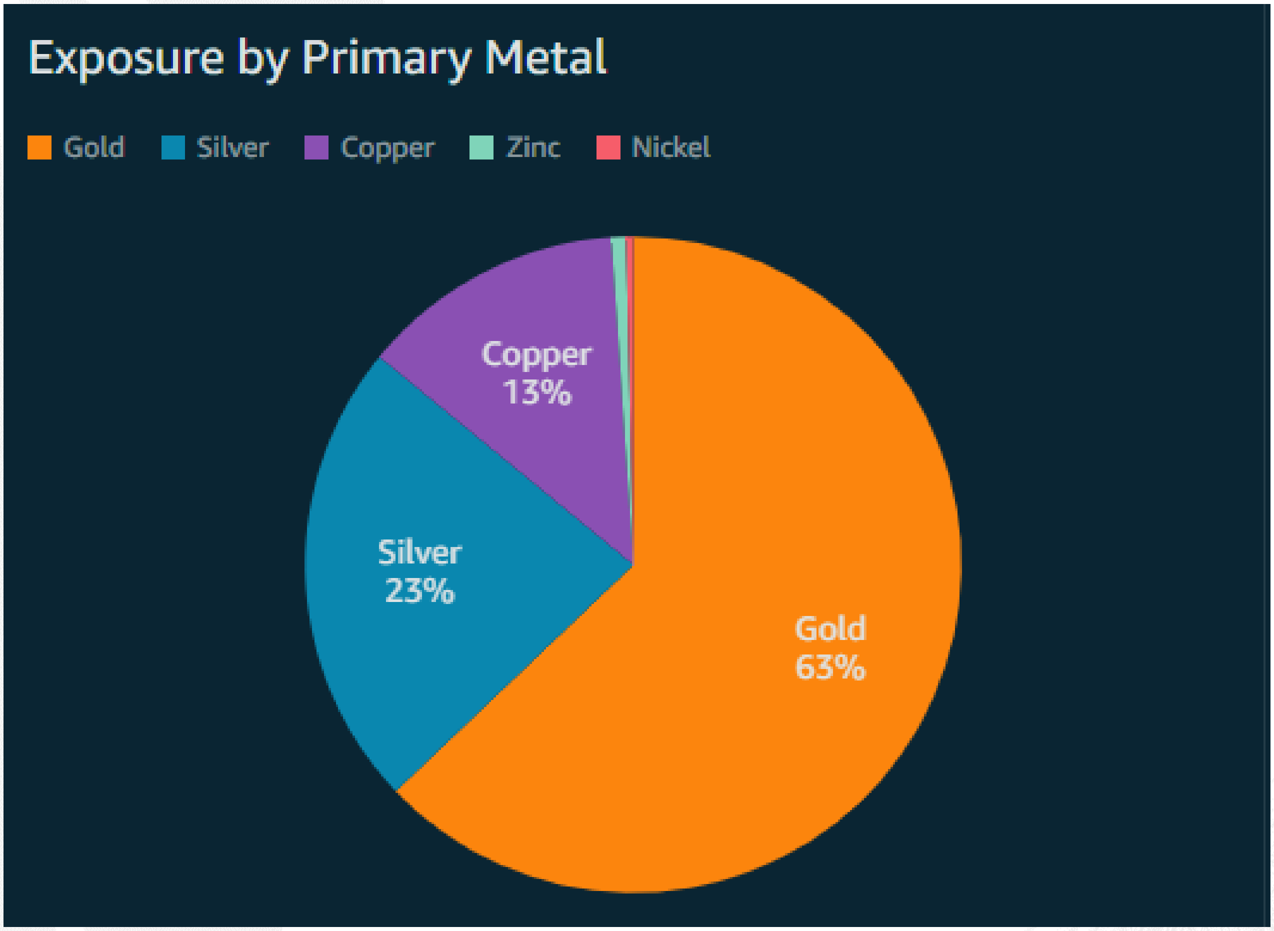
Being long precious metals is our highest conviction theme at Crescat today. Our macro models indicate that it is very early in a new secular bull market for gold and silver. We have laid out many of the reasons for this thesis above and in our recent research letters. Thus, our activist precious metals portfolio is currently deliberately our largest positioning firmwide and is an important sleeve of our global macro and long/short funds. Our precious metals hedge fund and SMA are dedicated exclusively to this theme. It is important to understand that Crescat is a hedge fund focused firm. However, we also offer SMA strategies that are oriented toward investors who do not yet qualify for our funds. The SMA accounts do not participate in the PIPEs (private placements in public securities) and pre-IPO investments, nor receive warrants, important perks inside our hedge fund strategies. Our precious metals SMA has done exceptionally well since inception by outperforming the benchmark Philadelphia Gold and Silver Index. Our precious metals hedge fund, which was launched more than a year later, has significantly outperformed both the SMA and the benchmark since its inception.

Our global macro and long/short equity hedge funds have other active themes besides precious metals, including a significant short position in overvalued equities. Our global macro fund is Crescat's most comprehensive strategy and can trade any asset class globally. In addition to the themes mentioned above, the global macro fund has a China currency devaluation theme. It has taken a lower profile in our risk budget over the past year, but the Chinese risks and macro imbalances have only become more acute, so we remain committed to this important tail risk theme.

Activist Precious Metals Positioning

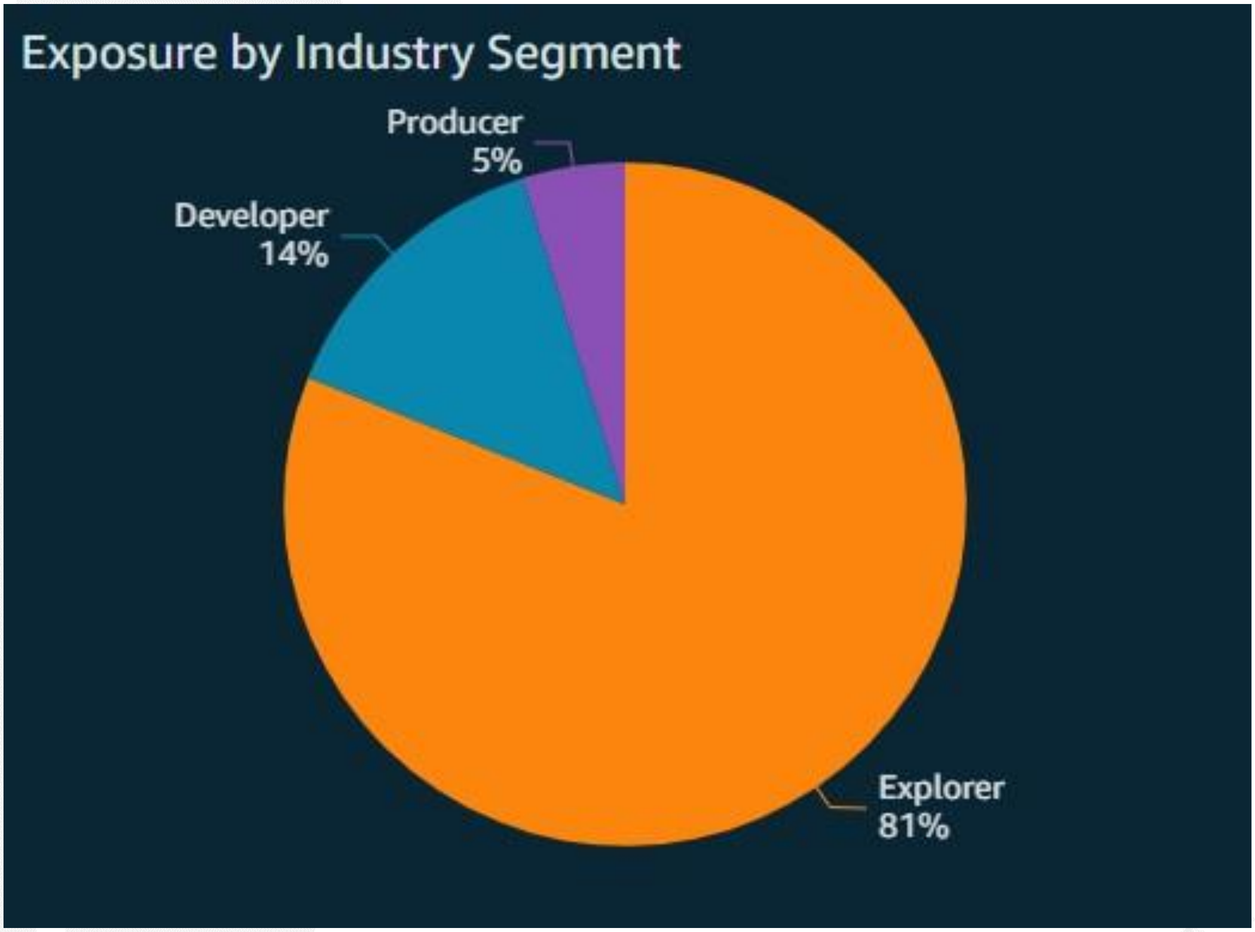
Because it is a such a large position across the firm today, the rest of this letter will focus on the composition of our activist gold and silver portfolio within the precious metals fund.

We are predominantly focused on companies and projects where gold or silver is the primary metal, but we are also interested in base metal deposits where precious metals are a substantial byproduct to enhance the overall grade and profitability.



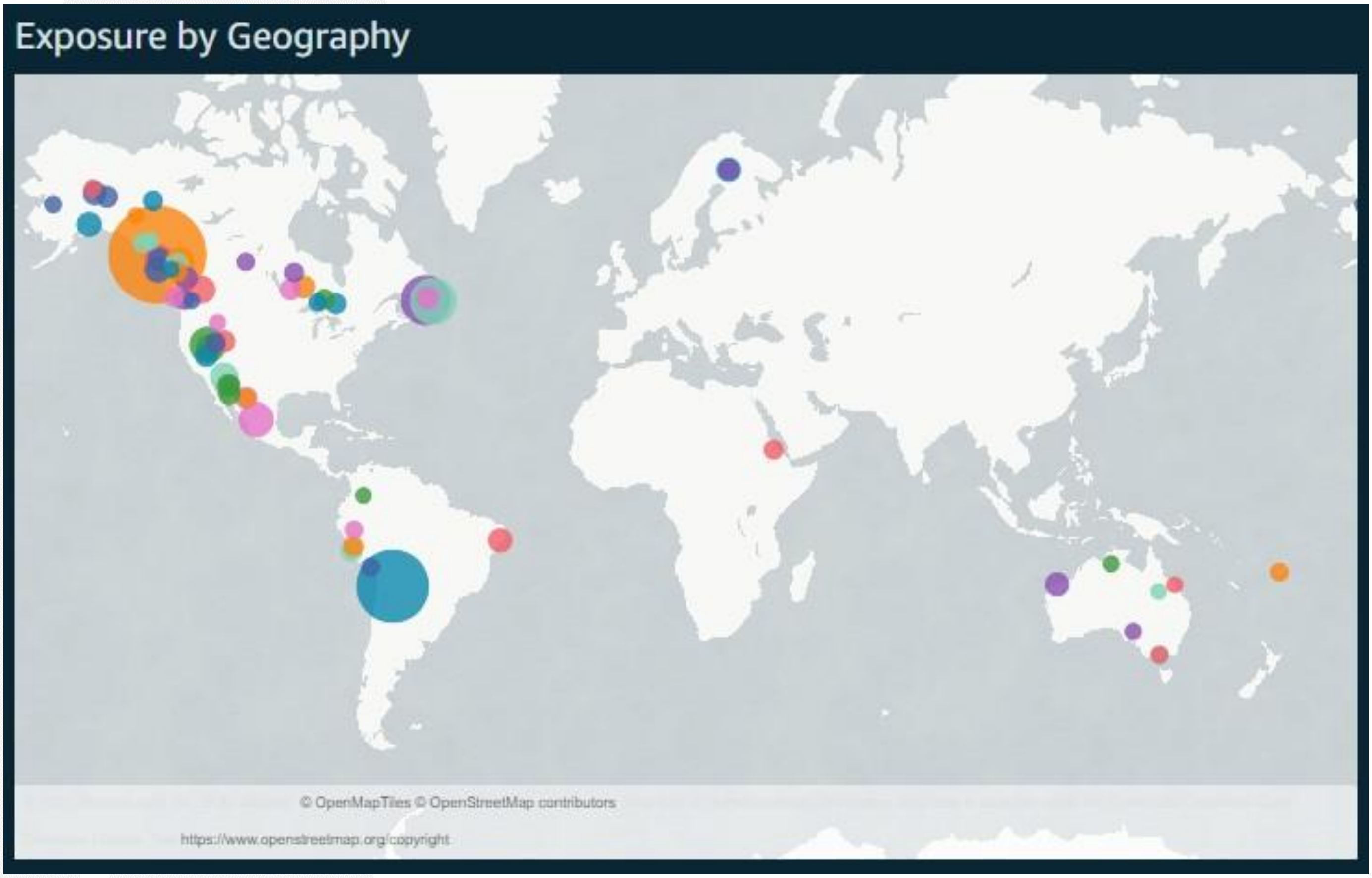
Today's Asymmetric Reward-to-Risk Opportunity in High Quality Exploration

Because of the industry-wide underinvestment in exploration and development over the last decade in precious metals mining, the majors have not been replacing their reserves and are facing a production cliff beginning in just four years. While these companies are enjoying strong free cash flow today, as we showed above. It is largely a result of their ultra conservative spending. They will soon have little choice but to acquire new deposits from a select group of exploration focused companies if they want to continue their growth. These exploration-based companies are what we are focused on at Crescat today. However, we are not interested in investing in the companies with the leftover low-grade deposits of the last exploration cycle. We have been busy funding the exploration and discovery of a new generation of high-grade gold and silver deposits. These are the projects that the majors and mid-tiers will be most compelled to buy. We believe they will be doing so at a substantial premium to their current valuation in our portfolio today. But acquisition is not our only exit strategy. On the sheer substance of our portfolio companies' existing and expected discoveries, we believe our activist companies have the ability, alone or in combination with each other, to become mid-tier and major producers in their own right to take on today's industry heavyweights. As such, we are very excited about the opportunity to deploy substantial capital now and over the intermediate term in what believe is a new secular bull market for precious metals.



Our Geographic Focus by Position Size

The vast majority of our companies have their primary projects in top 20 jurisdictions for mining industry investment attractiveness as ranked by the Fraser Institute 2020 Survey including: Nevada, Arizona, Saskatchewan, Western Australia, Alaska, Quebec, South Australia, Newfoundland and Labrador, Idaho, Finland, Queensland, British Columbia, Yukon, and Ontario. We avoid Africa, Central Asia, and the Middle East. We show our companies by portfolio exposure based on the jurisdiction of their primary project in the map below.



Crescat's Aggressive Exploration Focus

We believe our portfolio companies have more than six times the active greenfield gold exploration drilling than industry leaders Newmont and Barrick combined. The map below shows the number of drills that our portfolio companies expect to have active in 2021 by geography of their primary project.

Number of Drills Turning in 2021 by Geography (129 Total)

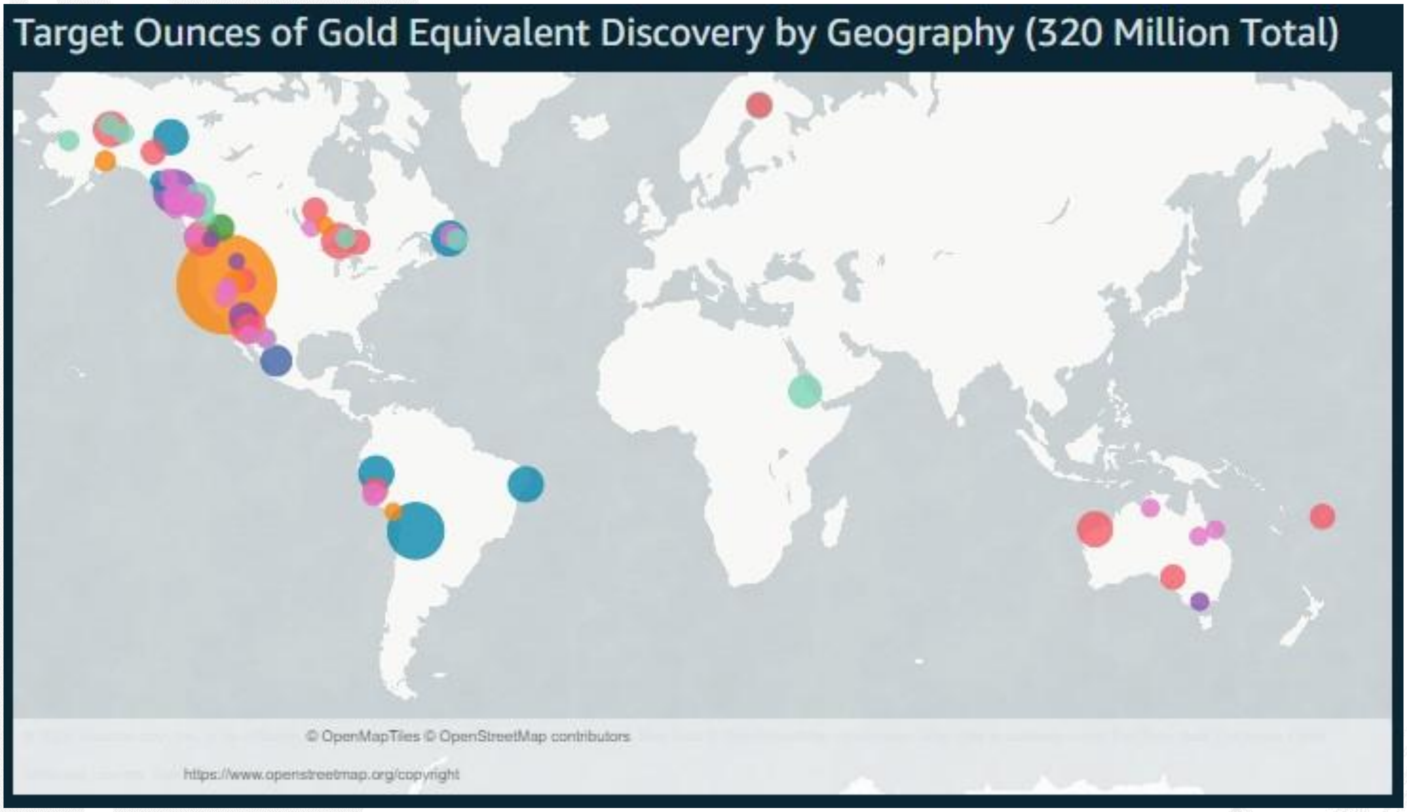
Crescat's Scoring Process

We have a detailed scoring for our activist precious metals portfolio companies process that includes:

1. Odds of 200%+ appreciation in one year, assuming bull market for precious metals, based on a combination of existing valuation, and marginal exploration and discovery success (1 to 10 score).
2. Gold equivalent oz. target of primary deposit in millions.
3. For explorers: peak left-hand side of Lassonde Curve target year.
4. Probability of making an economic discovery.
5. Probability of being acquired within 3 years (1 to 10 score).
6. Projected profitability quartile when turned into production (our emphasis is highly economic, high-grade discoveries in viable mining jurisdictions).
7. Near-term capital need (high, low, medium).
8. Number of drills expected to be active over next 12 months.
9. Engagement level with management and technical team (1 to 3 score).

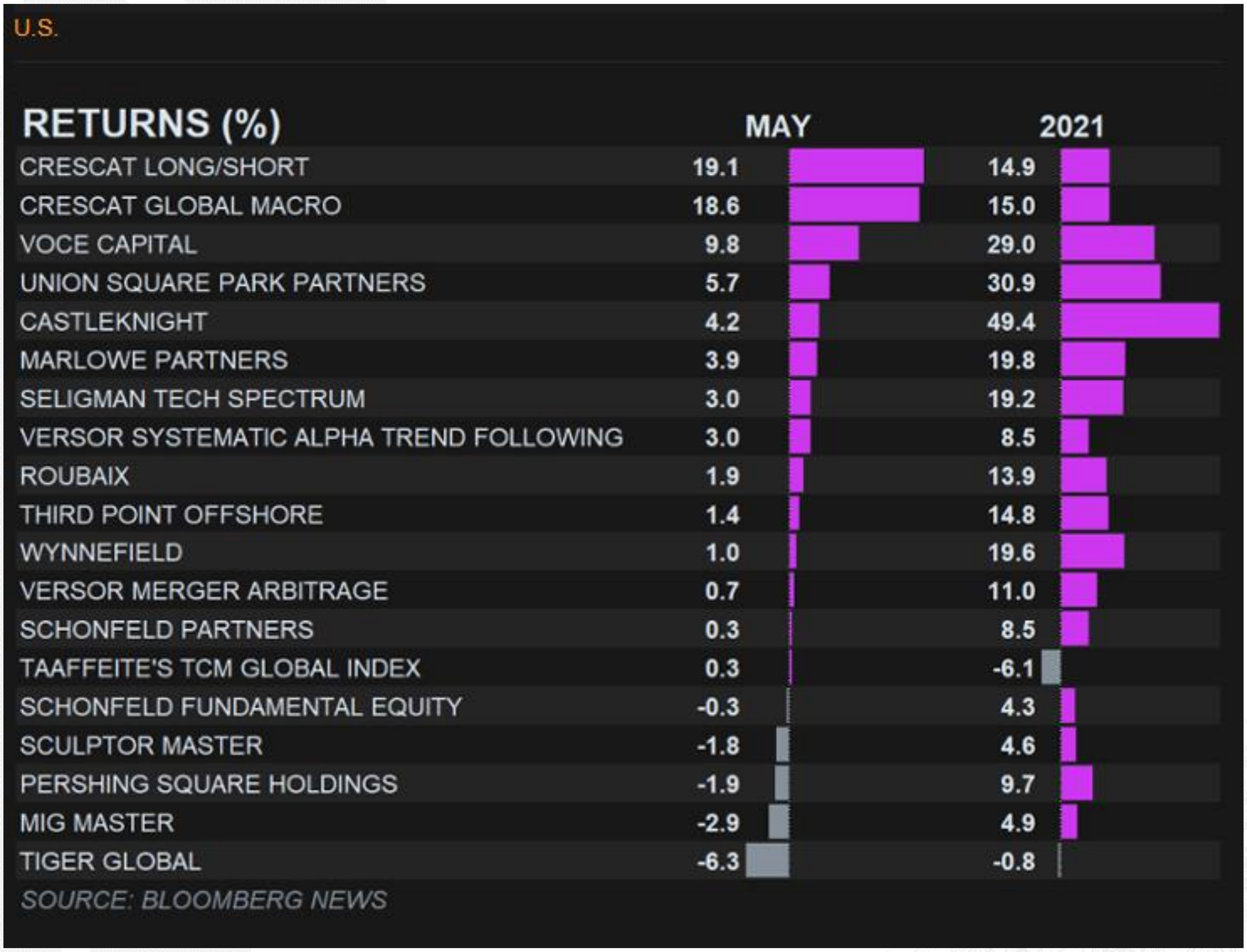
We have regularly scheduled meetings twice a week to review the entire portfolio with Quinton Hennigh, PhD, Crescat's Geologic and Technical Advisor and the rest of the investment team to review the entire portfolio and update the scoring. Quinton's industry experience, expertise, and involvement in making large and high-grade gold discoveries is second to none. We maintain extensive ongoing notes on each of our portfolio companies. Between Quinton, Tavi, and Kevin, we have ongoing meetings (3 to 10 per day) with existing and prospective companies' management and technical personnel. Quinton takes most of the initial screening meetings personally, and Kevin and Tavi have follow up meetings before handling the deal structuring and negotiation. Quinton and the whole team continue to engage with the geologists and management on exploration and drilling plans.

The Size and Location of our Potential Discoveries



Bloomberg Recognition

We are grateful to Bloomberg for recognizing two of Crescat's hedge funds for their strong performance in May.



U.S.

RETURNS (%)	MAY	2021
CRESCAT LONG/SHORT	19.1	14.9
CRESCAT GLOBAL MACRO	18.6	15.0
VOCE CAPITAL	9.8	29.0
UNION SQUARE PARK PARTNERS	5.7	30.9
CASTLEKNIGHT	4.2	49.4
MARLOWE PARTNERS	3.9	19.8
SELIGMAN TECH SPECTRUM	3.0	19.2
VERSOR SYSTEMATIC ALPHA TREND FOLLOWING	3.0	8.5
ROUBAIX	1.9	13.9
THIRD POINT OFFSHORE	1.4	14.8
WYNNEFIELD	1.0	19.6
VERSOR MERGER ARBITRAGE	0.7	11.0
SCHONFELD PARTNERS	0.3	8.5
TAAFFEITE'S TCM GLOBAL INDEX	0.3	-6.1
SCHONFELD FUNDAMENTAL EQUITY	-0.3	4.3
SCULPTOR MASTER	-1.8	4.6
PERSHING SQUARE HOLDINGS	-1.9	9.7
MIG MASTER	-2.9	4.9
TIGER GLOBAL	-6.3	-0.8

SOURCE: BLOOMBERG NEWS

Performance Table by Strategy

All five Crescat strategies had strong performance in May and year to date:

Crescat Strategies Net Returns through May 31, 2021

CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	MAY	YTD	ANNUALIZED TRAILING			CUMULATIVE
			1-YEAR	3-YEAR	SINCE INCEPTION	SINCE INCEPTION
Global Macro Hedge Fund (Jan.1, 2006)	**19.3%**	**15.7%**	**80.8%**	**26.2%**	**13.8%**	**638.5%**
Benchmark: HFRX Global Hedge Fund Index	0.4%	3.3%	13.5%	4.0%	1.3%	22.2%
Long/Short Hedge Fund (May 1, 2000)	**20.1%**	**15.8%**	**87.9%**	**25.4%**	**9.2%**	**534.0%**
Benchmark: HFRX Equity Hedge Index	0.8%	6.6%	21.6%	3.5%	2.6%	72.5%
Precious Metals Hedge Fund (August 1, 2020)	**19.3%**	**31.1%**	**-**	**-**	**-**	**251.0%**
Benchmark: Philadelphia Gold and Silver Index	15.5%	14.4%	-	-	-	7.2%
Large Cap SMA (Jan. 1, 1999)	**12.6%**	**14.2%**	**17.6%**	**12.9%**	**10.9%**	**924.9%**
Benchmark: S&P 500 Index	0.7%	12.6%	40.3%	18.0%	7.7%	423.3%
Precious Metals SMA (June 1, 2019)	**22.0%**	**36.9%**	**125.1%**	**-**	**95.6%**	**282.7%**
Benchmark: Philadelphia Gold and Silver Index	15.5%	14.4%	38.1%	-	54.5%	138.9%

June Pullback MTD Provides Opportunity

In our analysis, the Fed's "inflation is transitory" campaign in June was carefully scripted rhetoric with little substance to back it up. The Fed's action over the same four-week time of $198 billion in asset purchases was a direct contradiction to its message. It was the exact opposite of the threatened taper. It should be very concerning to investors at large that it was the Fed's increased pace of Treasury and mortgage-backed securities purchases in June that had the effect of driving interest rates down, not the idea that the market was believing its "don't worry about inflation" story.

Score one for the Fed in June. They won. Not bad for an organization that is trapped and ultimately has no choice but to embrace two economic evils: real world inflation and deflation of financial assets. No doubt they won in the short run by beating those who were duped into selling their gold and silver holdings or into buying bonds and large cap growth stocks at today's insane valuations.

The Philadelphia Stock Exchange Gold & Silver Index is down 13.3% in June MTD while spot gold is down 6.4% and spot silver down 6.8%. Crescat's activist precious metals hedge fund is down approximately 4% net MTD in comparison. Our global macro and long/short hedge funds are down slightly more given their equity short positions in a stock market that is remarkably still hitting new all-time highs. Rest assured, we not giving up on our short exposure in those two funds. We believe the pullback in Crescat's strategies in June MTD presents an excellent buying opportunity now for anyone looking to add capital at the end of the month.

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 & CIO

Tavi Costa
Member & Portfolio Manager

For more information including how to invest, please contact:

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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.