

MACRO PRESENTATION

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Rising Cost of Debt vs. Fed's QT



Source: Federal Reserve; Tavi Costa

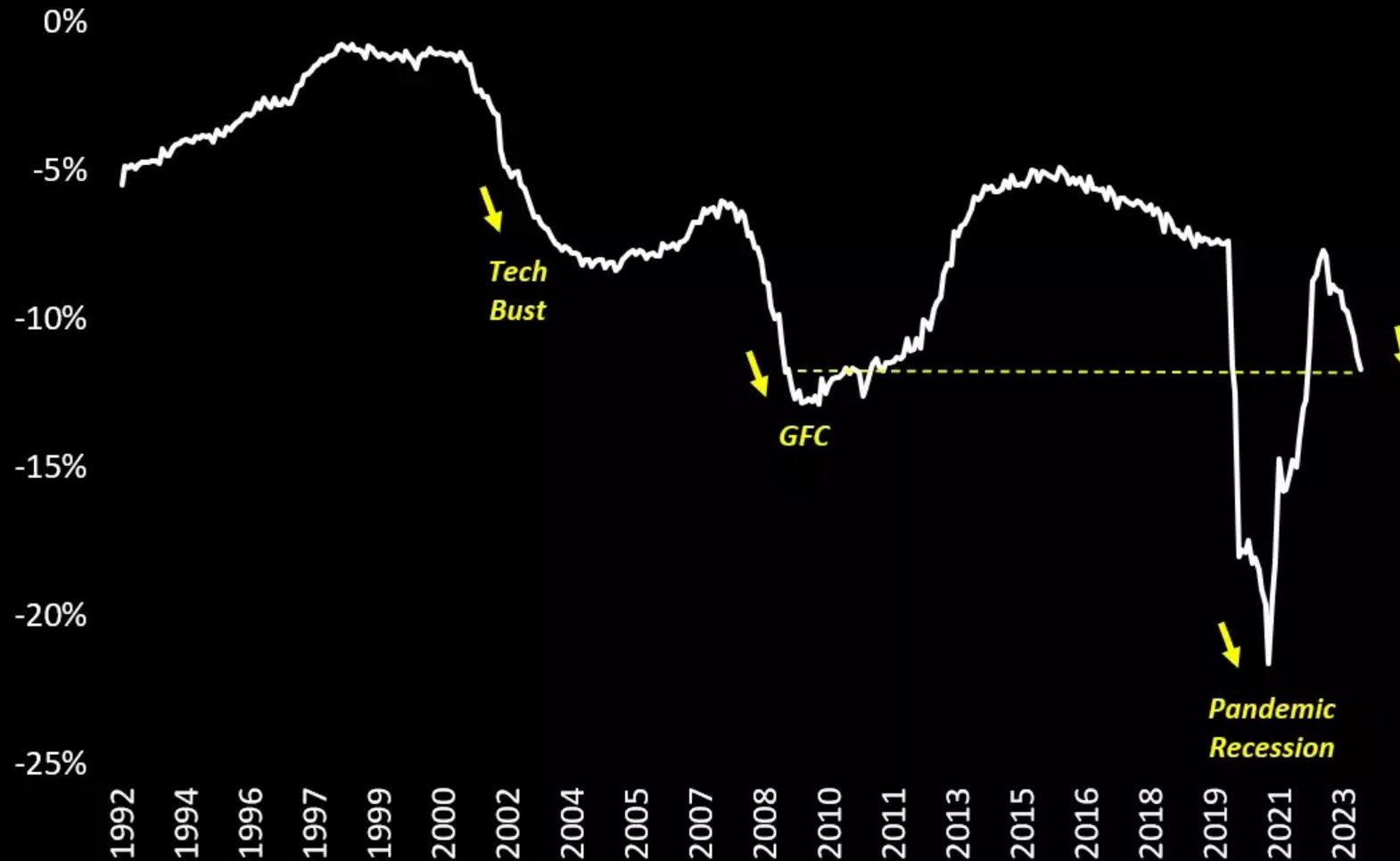
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Monetary and fiscal authorities are currently running what we believe are unsustainably divergent policies.

US Twin Deficits to GDP

Current Account + Fiscal Deficit As a % of GDP



Source: Bloomberg; Tavi Costa

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The US is now running twin deficits that are as severe as those experienced during the worst parts of the Global Financial Crisis.

US Fiscal Spending (Excl. Interest Payments) as % of GDP

YoY Change



Source: Bloomberg, Tavi Costa

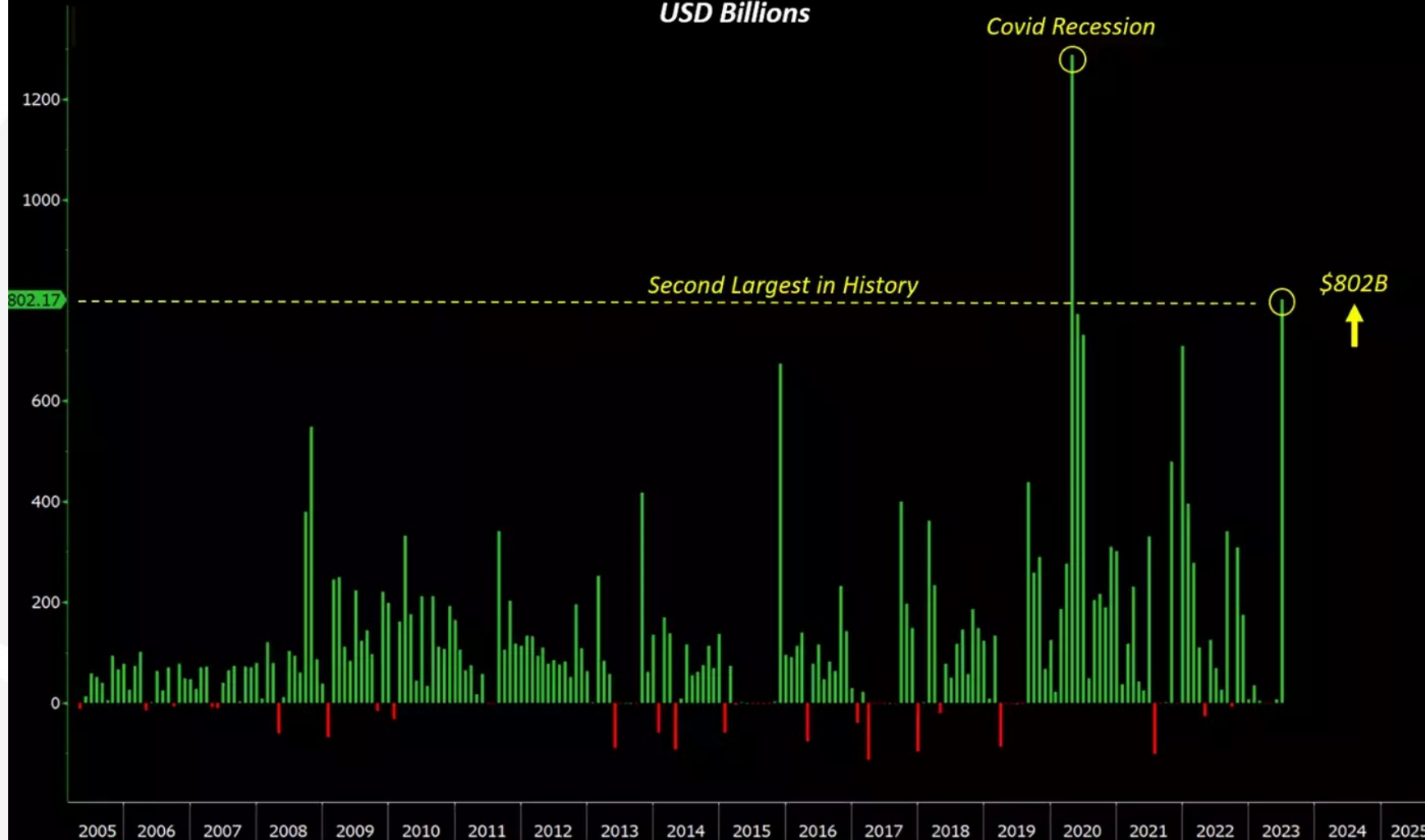
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In a healthy economic growth environment tax revenues typically increase while government spending tends to decline. However, today's situation is a complete reversal of this trend.

US Treasuries Monthly Issuances

USD Billions



Source: Bloomberg; Tavi Costa

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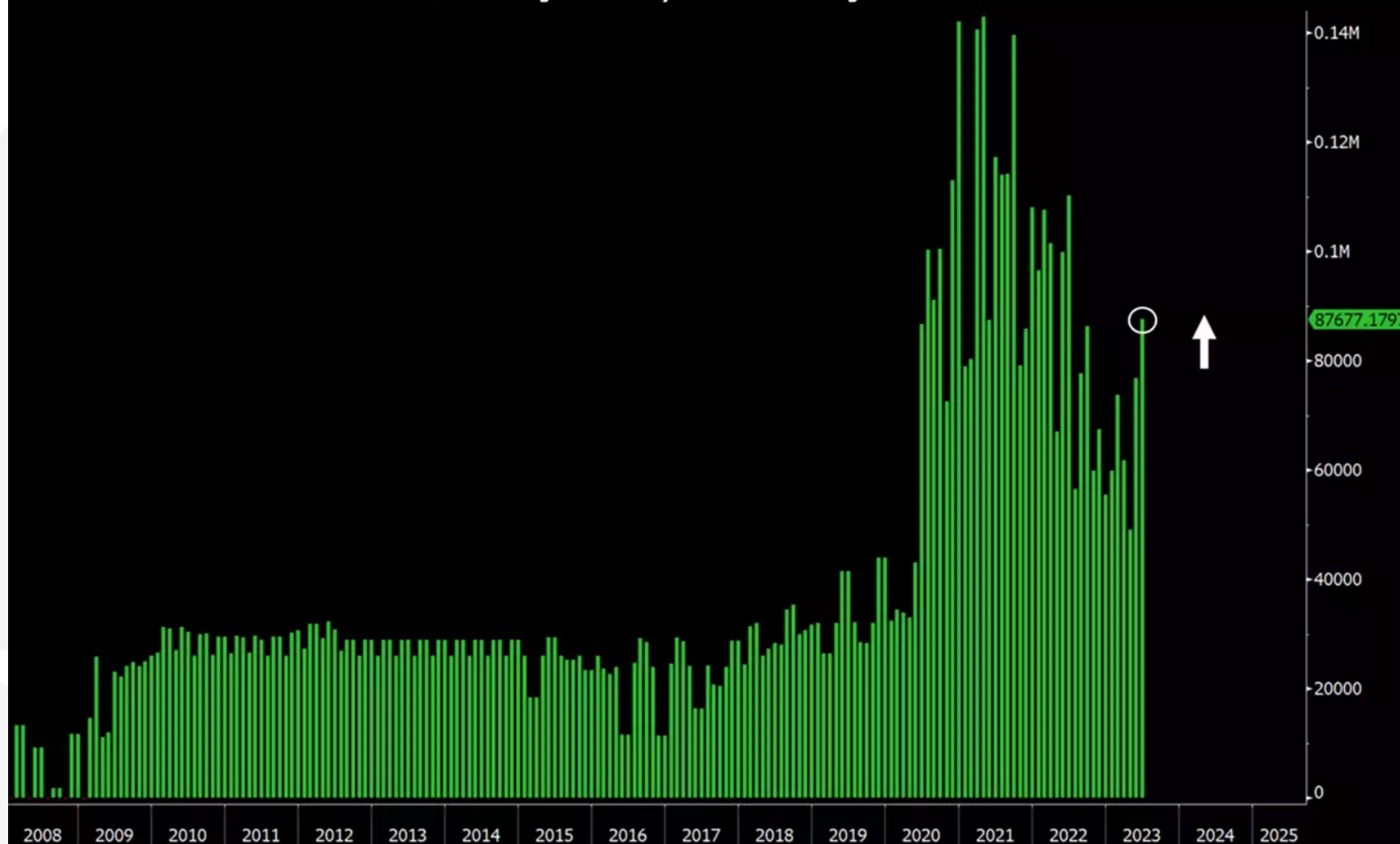


Following the resolution of the debt ceiling agreement, the US government has already issued more than \$1 trillion worth of US Treasuries. Notably, the month of June witnessed the second-largest issuance in history.

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US Long-Maturity Debt Issuances

2-Month Change in Treasury Bonds Outstanding in USD Millions



Source: Bloomberg; Tavi Costa

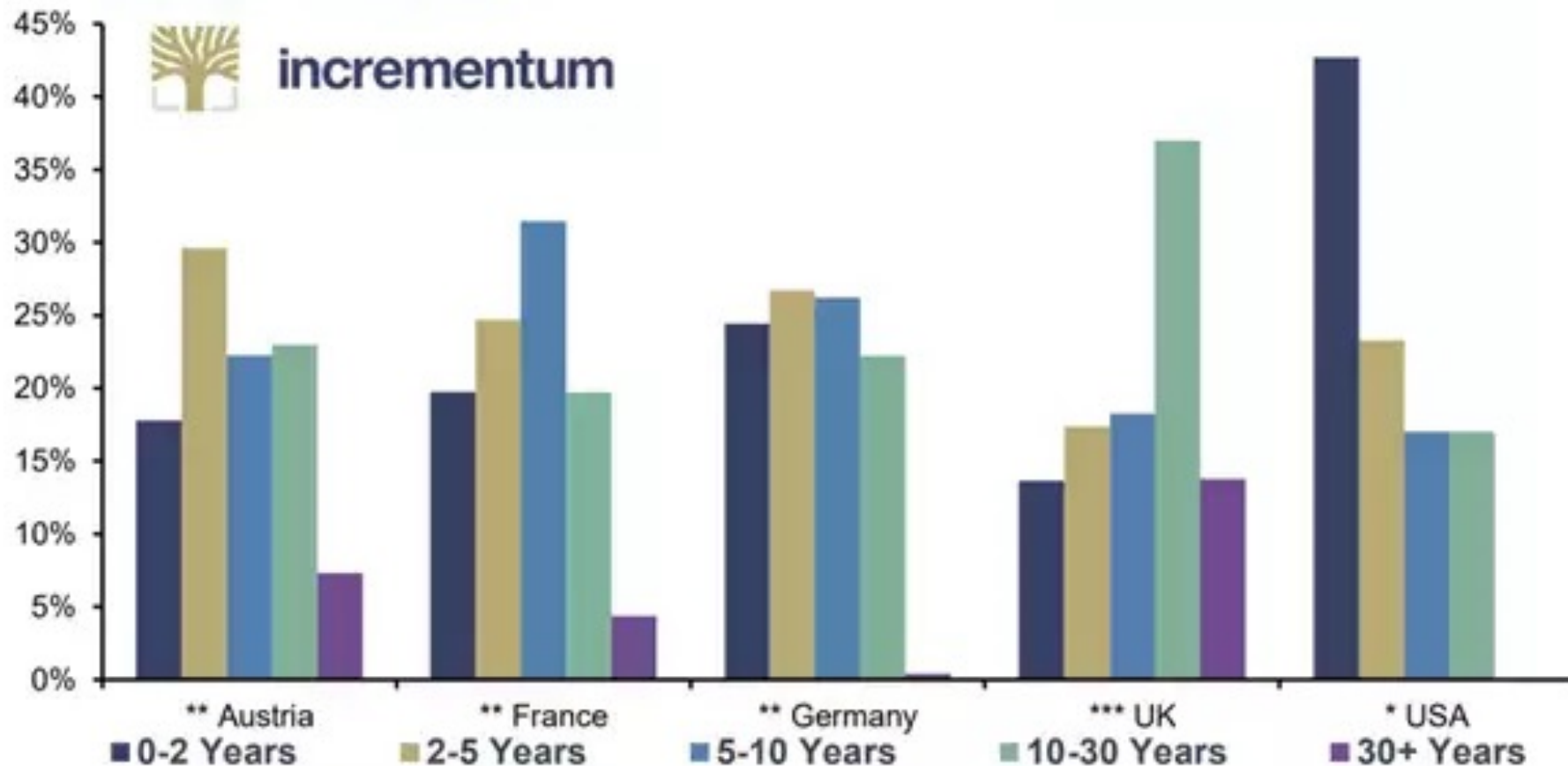
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The significant increase in the overall supply of these sovereign instruments is exerting additional pressure on long-term yields, contributing to their ongoing rise.

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**Marketable Government Debt by Maturity, in % of Total, * 01/2023,
** 02/2023, *** 03/2023**



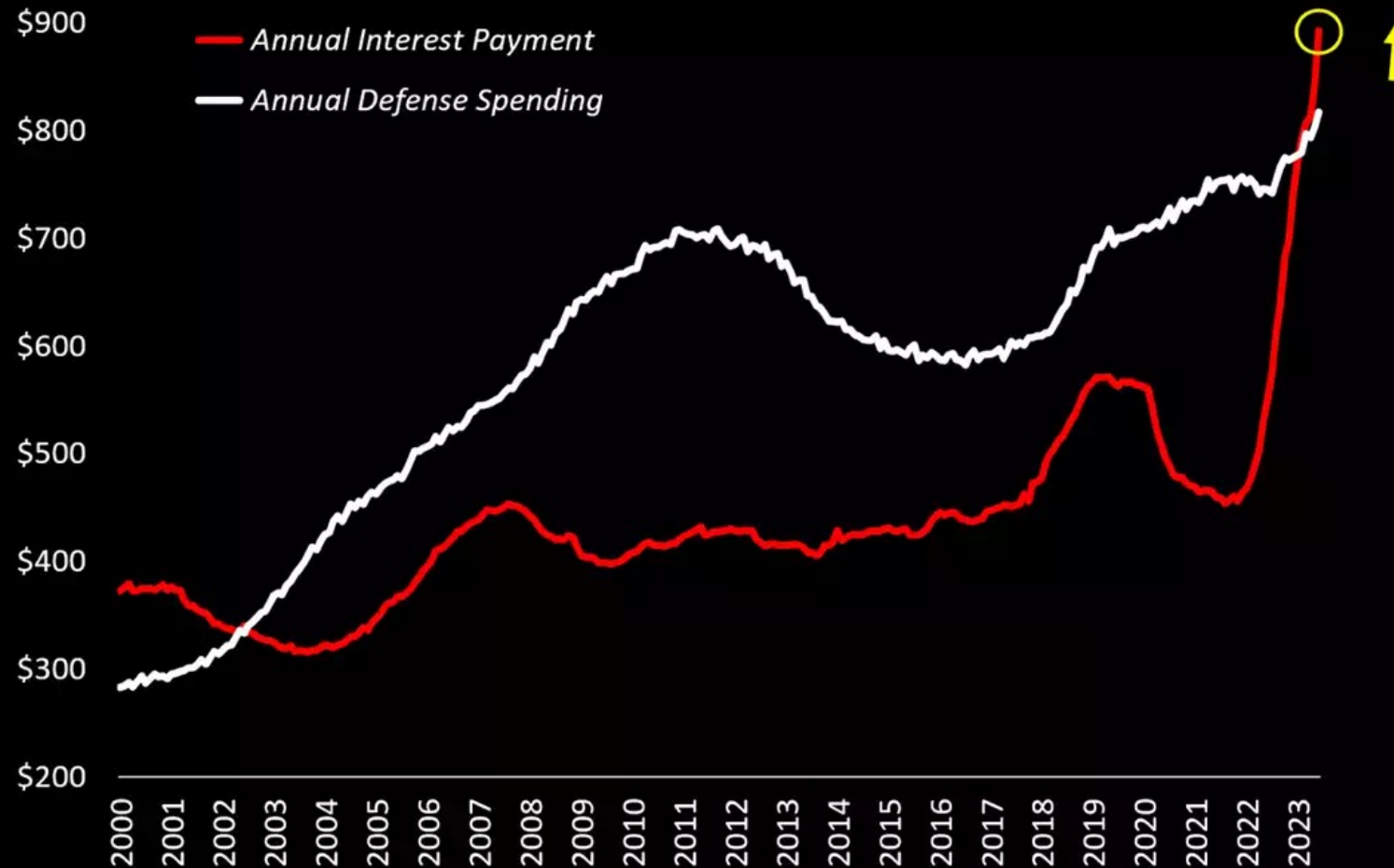
Source: OeBFA, Bundesrepublik Deutschland – Finanzagentur GmbH, Agence France Trésor, UK Debt Management Office, U.S. Department of the Treasury, Incrementum AG



The US will need to refinance almost half of its national debt in less than 2 years. As a reminder, interest rates were at 0% just 15 months ago.

US Interest Payment on Federal Debt vs. Defense Spending

USD Billions



Source: Bloomberg; Tavi Costa

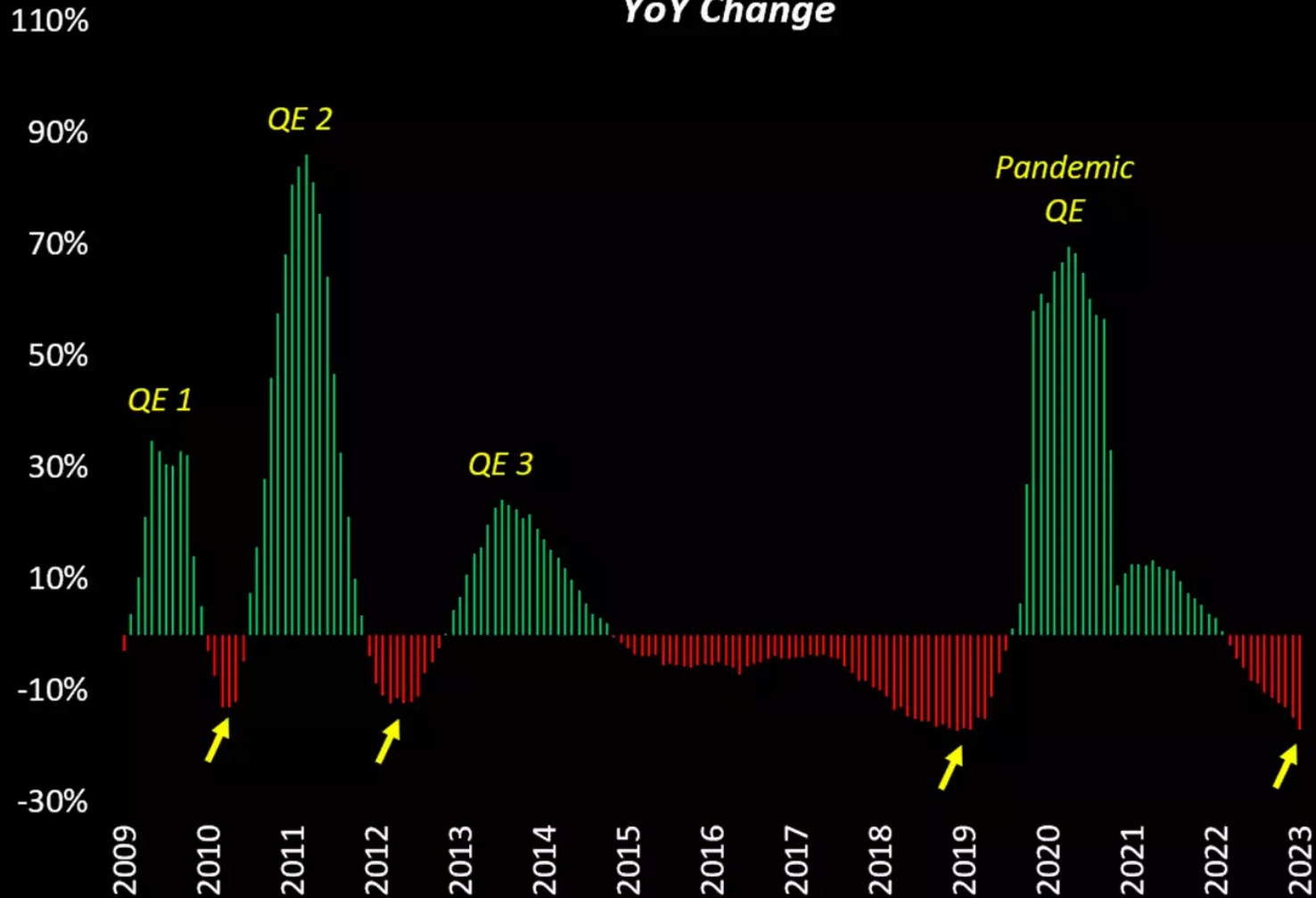
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This is likely the initial stages of a trend, and if no solutions are implemented, other components of the fiscal agenda may soon be constrained by the escalating cost of debt.

Fed's Holdings of US Treasuries

YoY Change



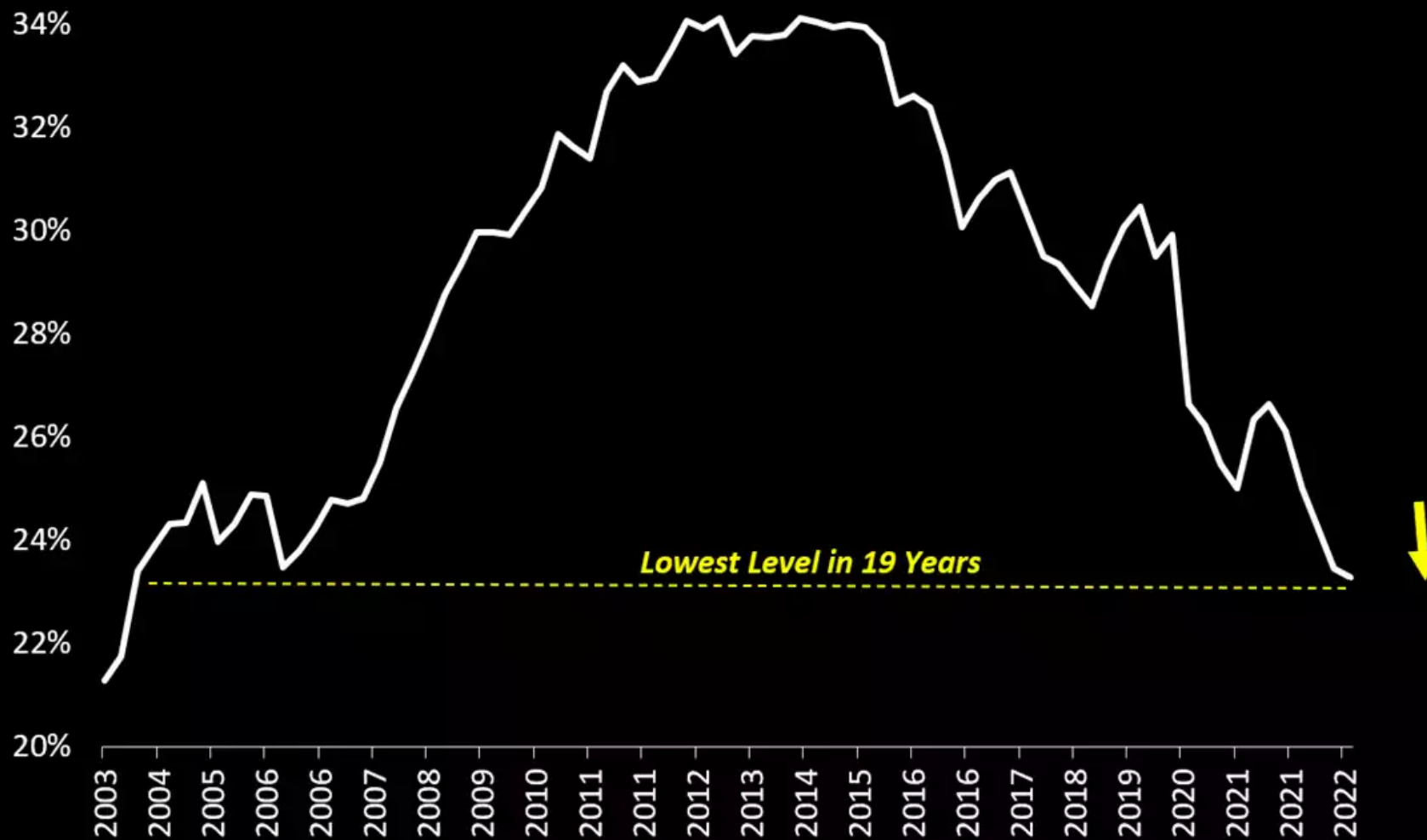
Source: Bloomberg; Tavi Costa

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The Fed's inclination to implement such policies may only exist if the economy is in a recession, which we think is the path of least resistance today.

Foreign Holders of US Treasuries As a % of Total Debt



Source: Federal Reserve; Tavi Costa

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Foreign holders currently own only approximately 20% of all outstanding Treasuries, marking the lowest level in nearly 2 decades.

Global Central Banks: Gold Holdings As a % of Foreign Reserves



Source: Bloomberg; Tavi Costa

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We expect much of this new demand will flow into the mining industry where the deep value is substantially more compelling in this macro environment with multi-fold appreciation potential in companies with big, viable new and incipient discoveries.

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Gold-to-US Treasuries Ratio

Calculation: Gold / Bloomberg Treasury Total Return



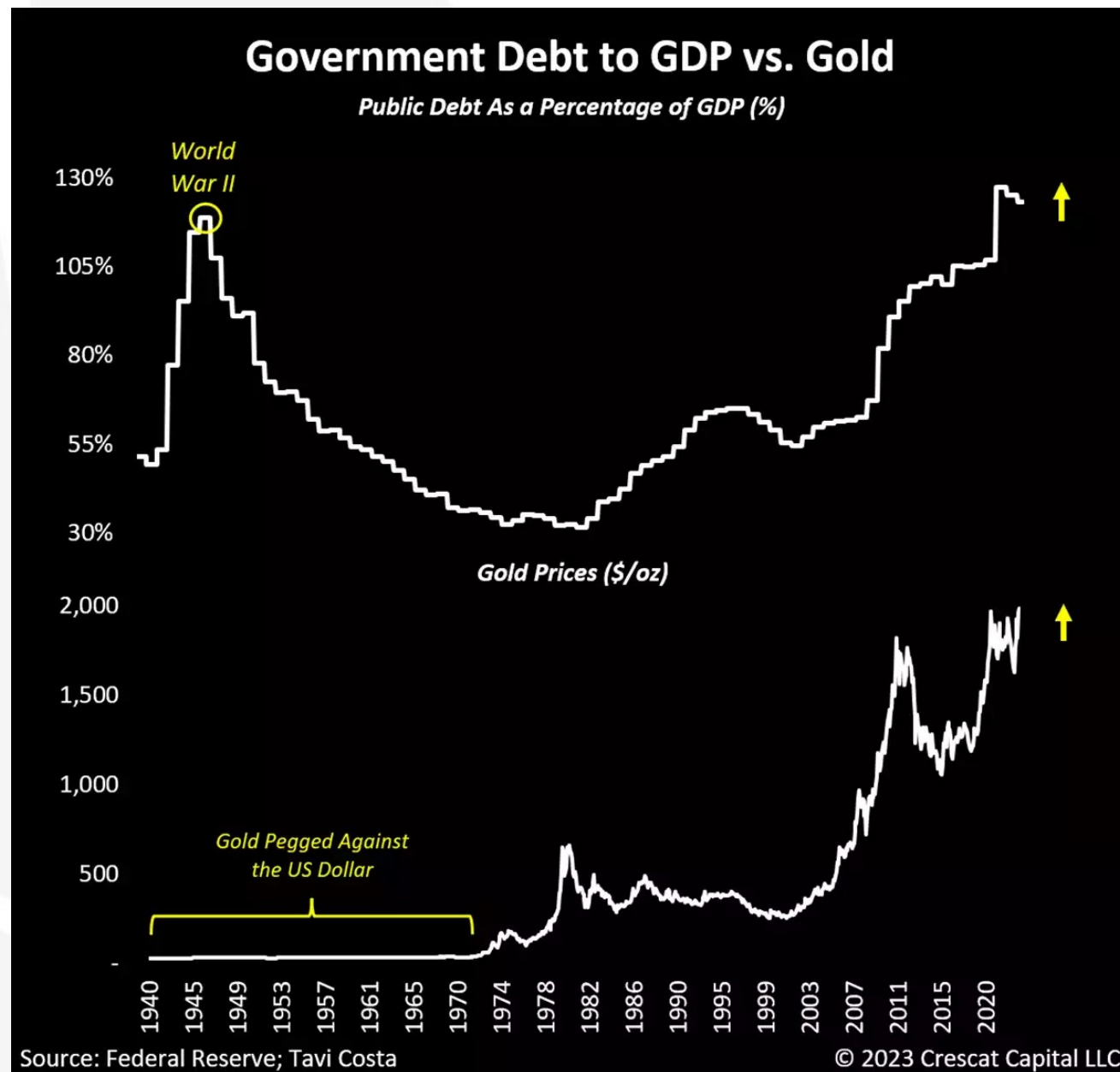
Source: Bloomberg; Tavi Costa

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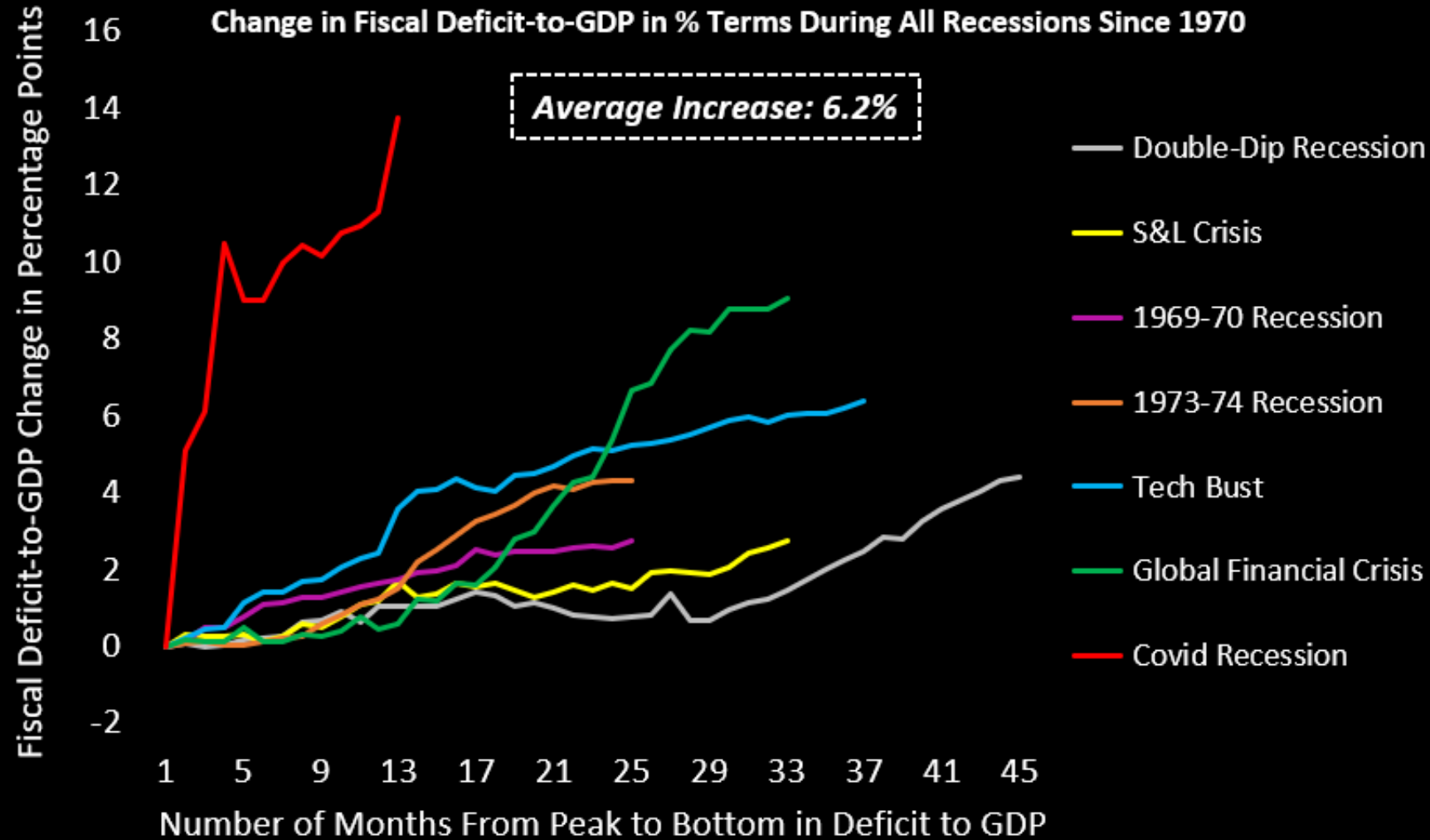
If the rationale for owning US Treasuries today is solely based on the premise that the system cannot endure substantially higher interest rates, then gold is a far superior choice. It's a neutral asset with no counterparty risk that also carries centuries of credible history as a haven and monetary alternative.

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While the 1940s serve as an important historical parallel due to the seriousness of the current debt issue, there is a significant distinction: during that period, gold was effectively tied to the US dollar, rendering it an impractical investment alternative.

Change in US Fiscal Deficit as a Result of Recessions



Source: Bloomberg

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Looking at all recessions since 1970, fiscal deficit-to-GDP worsened by an average of 6.2%.

We think the next downturn will be no different.

However, government spending will likely be increasing with inflation rates already historically elevated so nominal GDP may also be rising.

Nasdaq vs. 10-Year Yield (Inverted)



Source: Bloomberg; Tavi Costa

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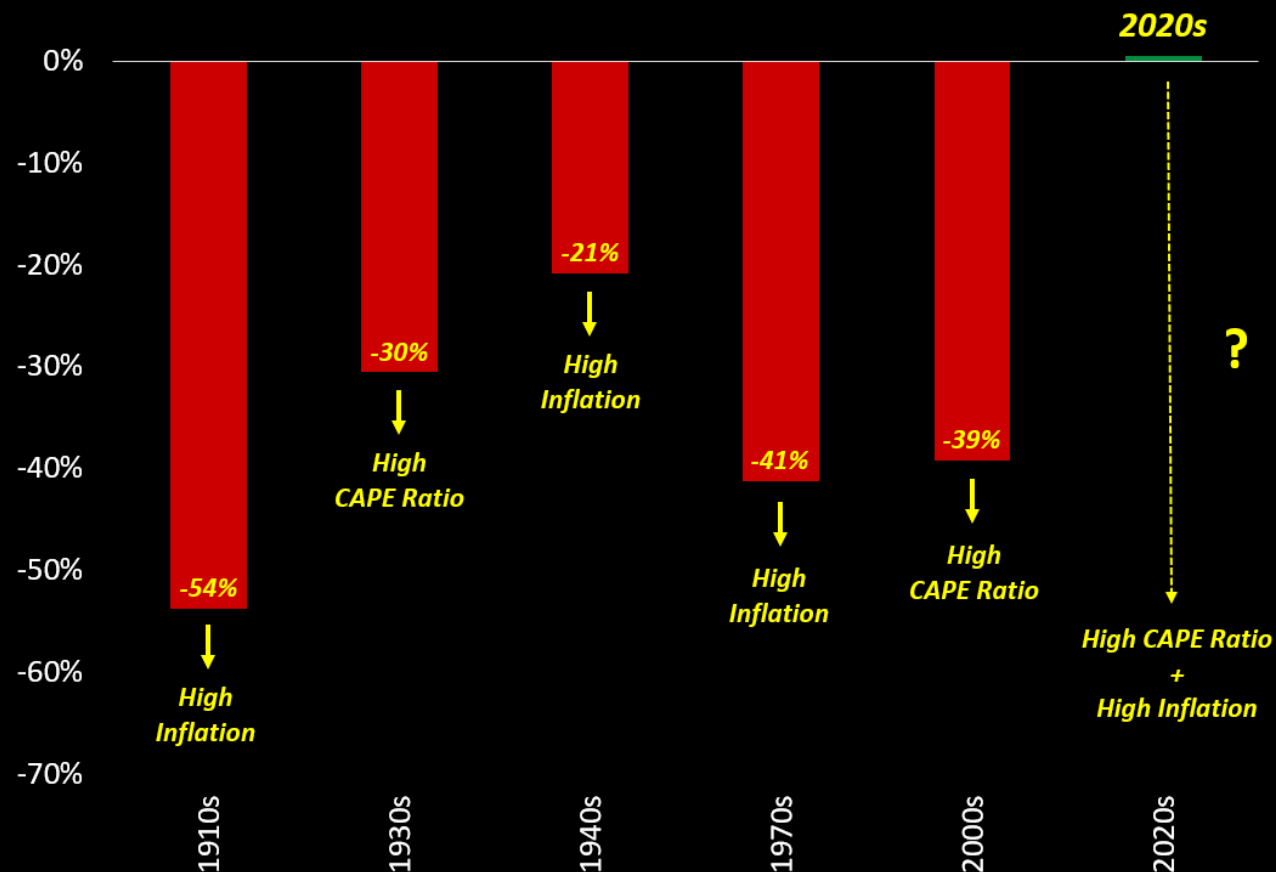


This chart is a reminder of the unsustainable divergence between rising yields and the historically inflated valuations of today's equity markets.

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US Stocks: Worst Returns by Decade

Total Real Return



Source: Professor Robert Shiller; Yale University; Tavi Costa

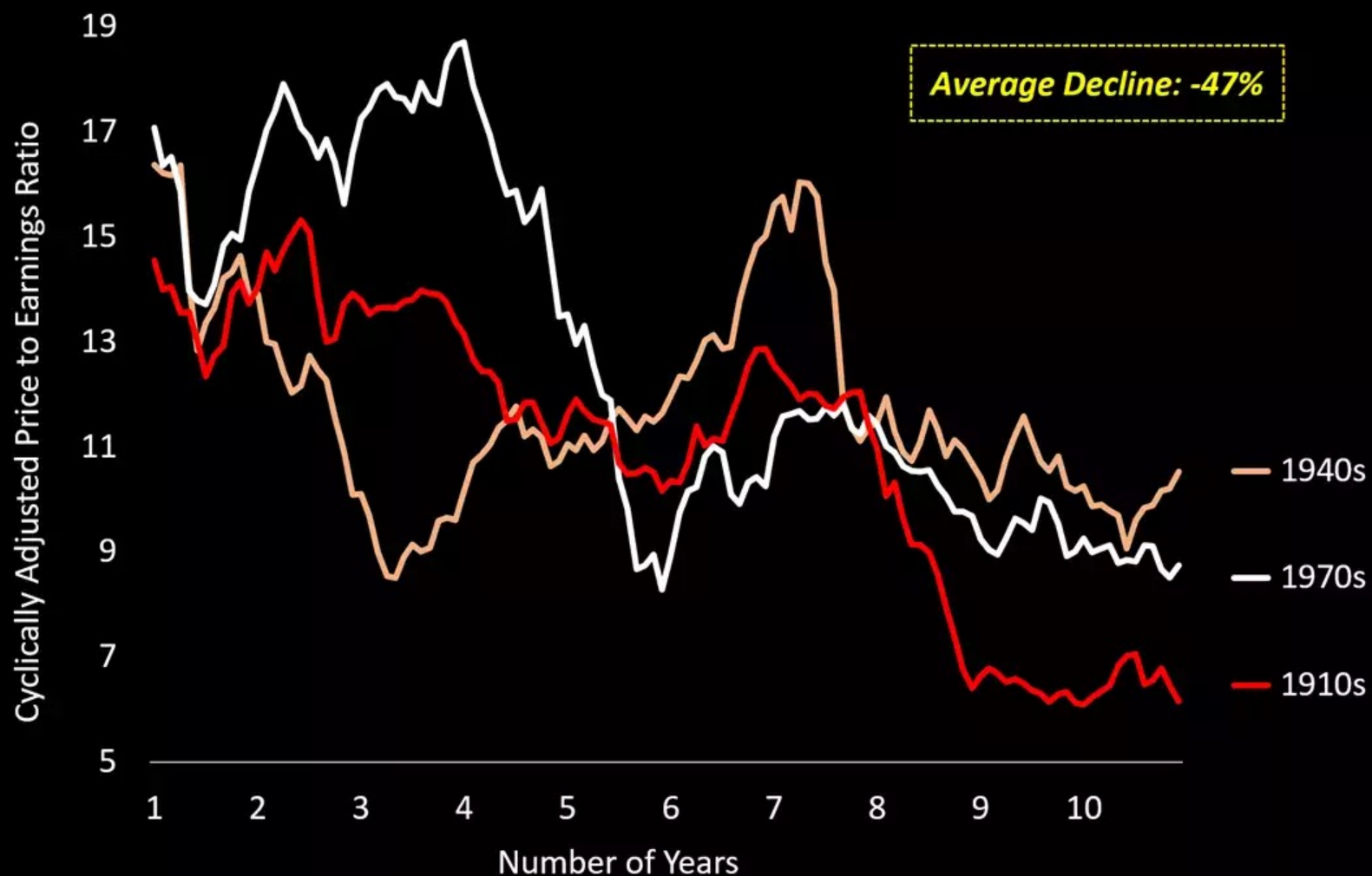
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Since 1900, there have been only five decades that the total real return for US stocks was negative. In fact, they were all deeply negative. Three of these periods happened during inflationary eras. The other two occurred at a time when valuations of US equity markets were at historical levels. Today, we have both setups at the same time.

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US Stocks: Multiple Compression During Inflationary Decades



Source: Bloomberg ; Tavi Costa

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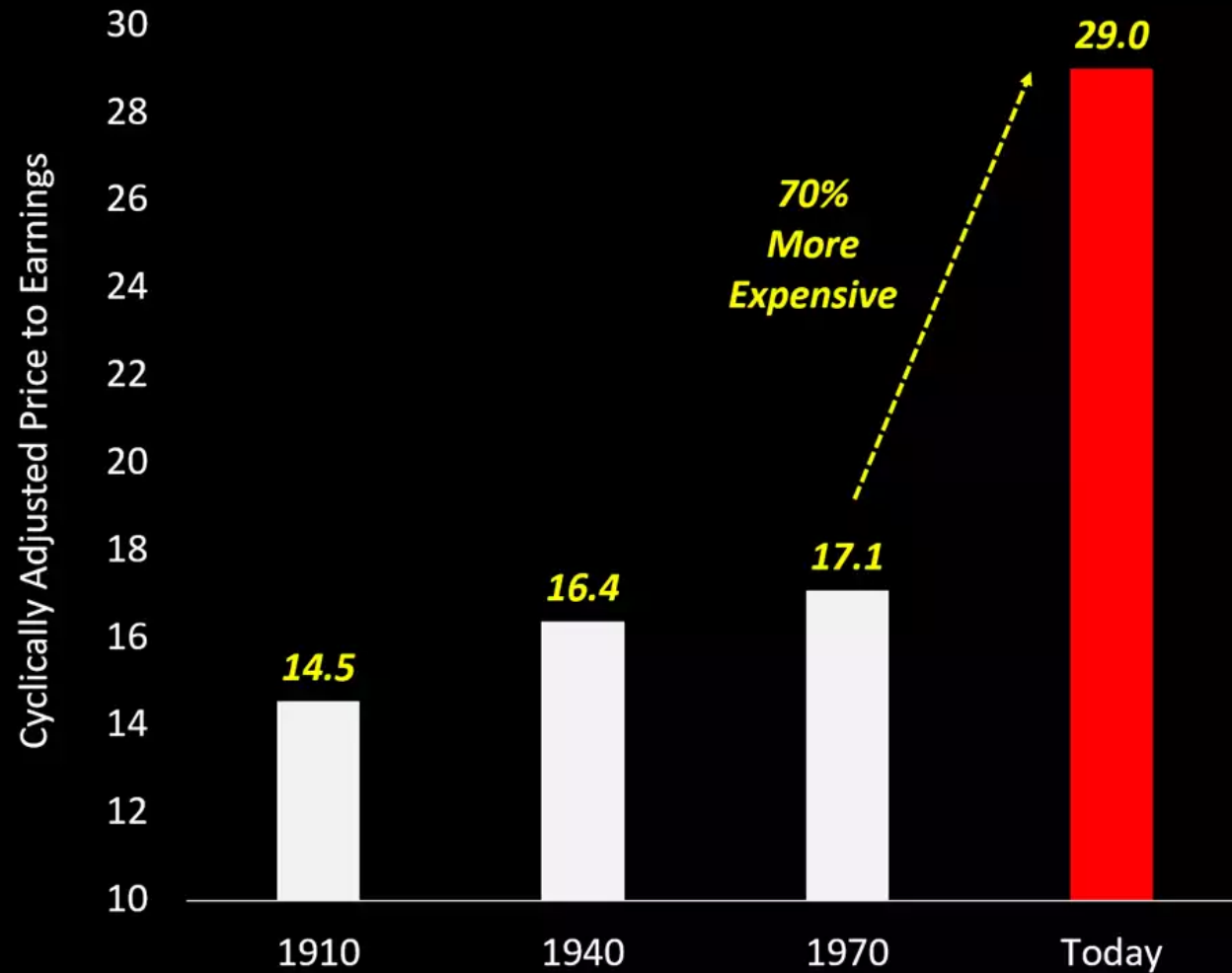
The last time we had a long period of higher-than-average cost of capital was in the 1910s, 1940s, and 1970s.

While each had its own unique circumstances, fundamental multiples for stocks significantly contracted over all those decades.

The average decline was nearly 50%.

More importantly, note that CAPE ratios shrunk to single digits at the end of two periods and to just 10.5x in the 1940s.

US Stocks' Valuation at the Beginning of Prior Inflationary Decades



Source: Professor Robert J. Shiller; Yale University; Tavi Costa

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Today's valuations are over 70% more expensive than they were when each of those inflationary decades began.

S&P 500 Nominal Earnings

12-Trailing Months EPS



Source: Bloomberg; Tavi Costa

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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.

S&P 500 Index: Basic vs. Diluted Earnings Per Share

■ Basic EPS 222.4740
■ Diluted EPS 176.1932



Source: Bloomberg; Tavi Costa

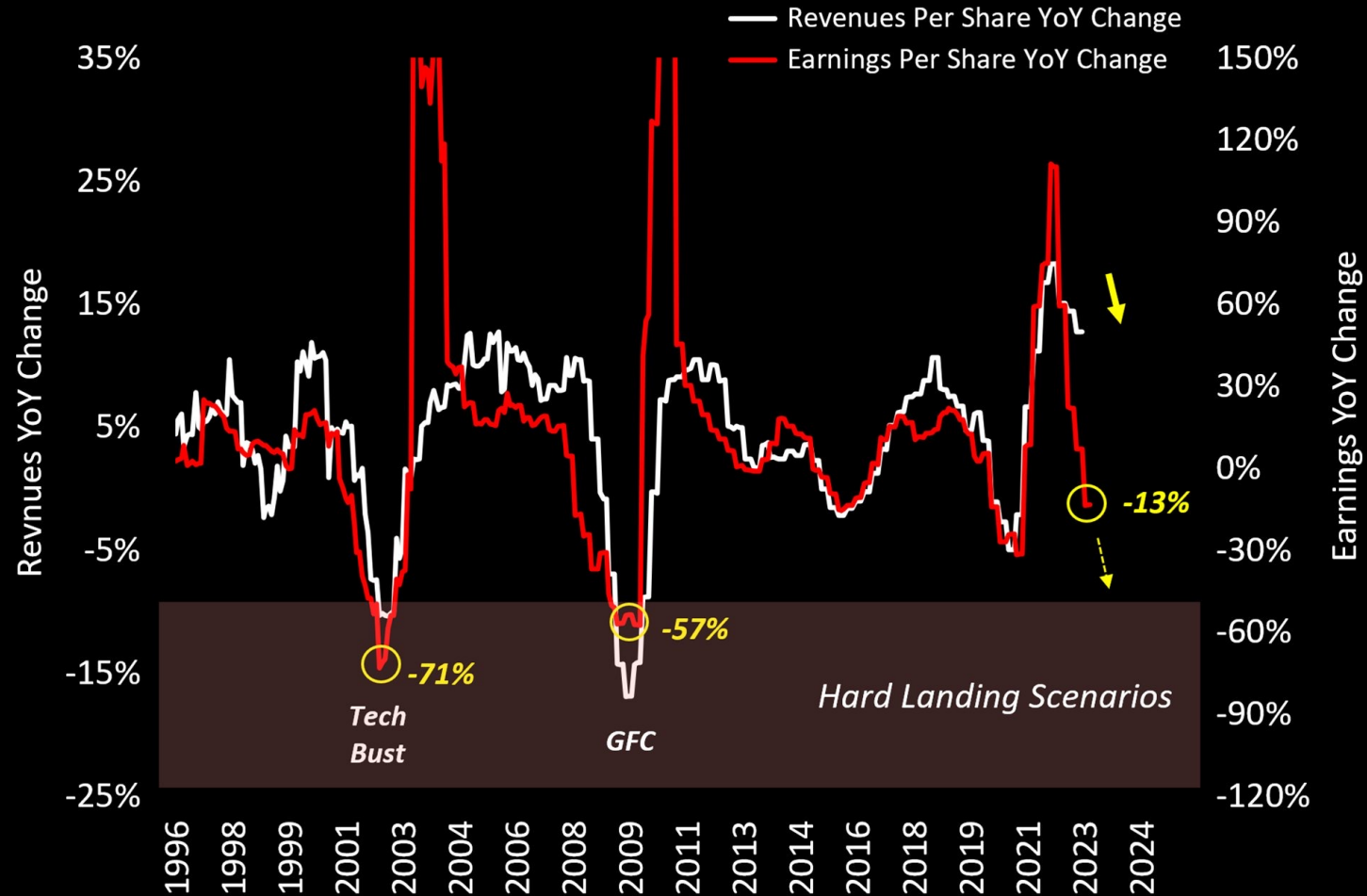
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There has been a significant contraction in diluted earnings, despite basic EPS being near all-time highs.

Corporate Earnings Lead Revenues

Earnings Per Shares Leads Sales Per Share by One Quarter (Universe: S&P 500 Index)



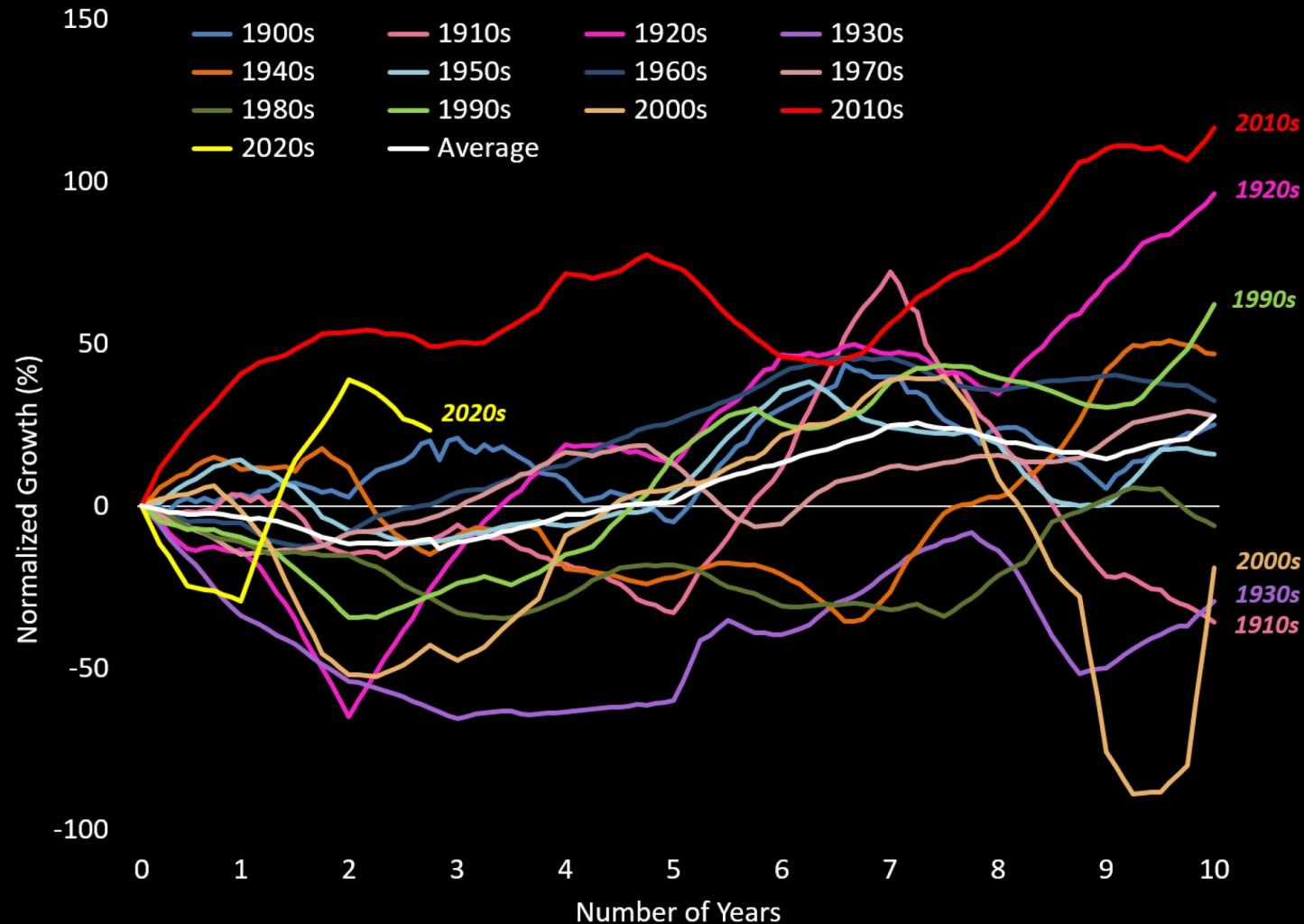
Source: Bloomberg; Tavi Costa

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Thus far, one of the key takeaways from this earnings season is that profits have begun to disappoint while revenues have remained resilient. This is a common trend during a business cycle downturn.

Real Earnings Growth Per Decade



Source: Professor Robert Shiller; Yale University; Tavi Costa

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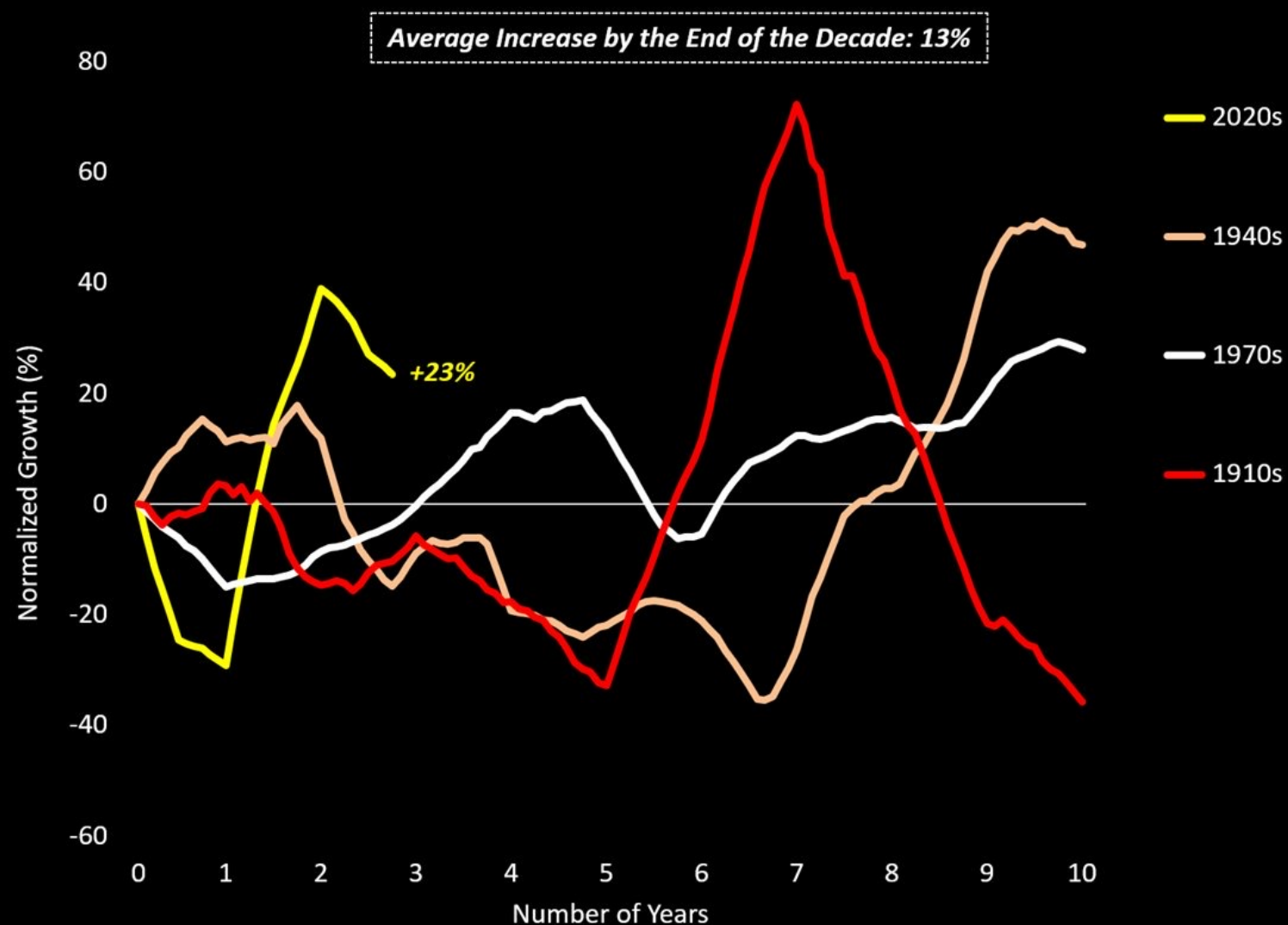


When adjusting corporate fundamentals to inflation levels, the current real growth in earnings for this decade is on pace for being the second largest in history, which is right behind the prior decade's performance.

Note that outside of the 2010s, the other two times we had outstanding long-term increases in profits were in the 1920s and the 1990s. Both periods preceded severe earnings recessions.

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Real Earnings Growth During Inflationary Decades



Source: Professor Robert Shiller; Yale University; Tavi Costa

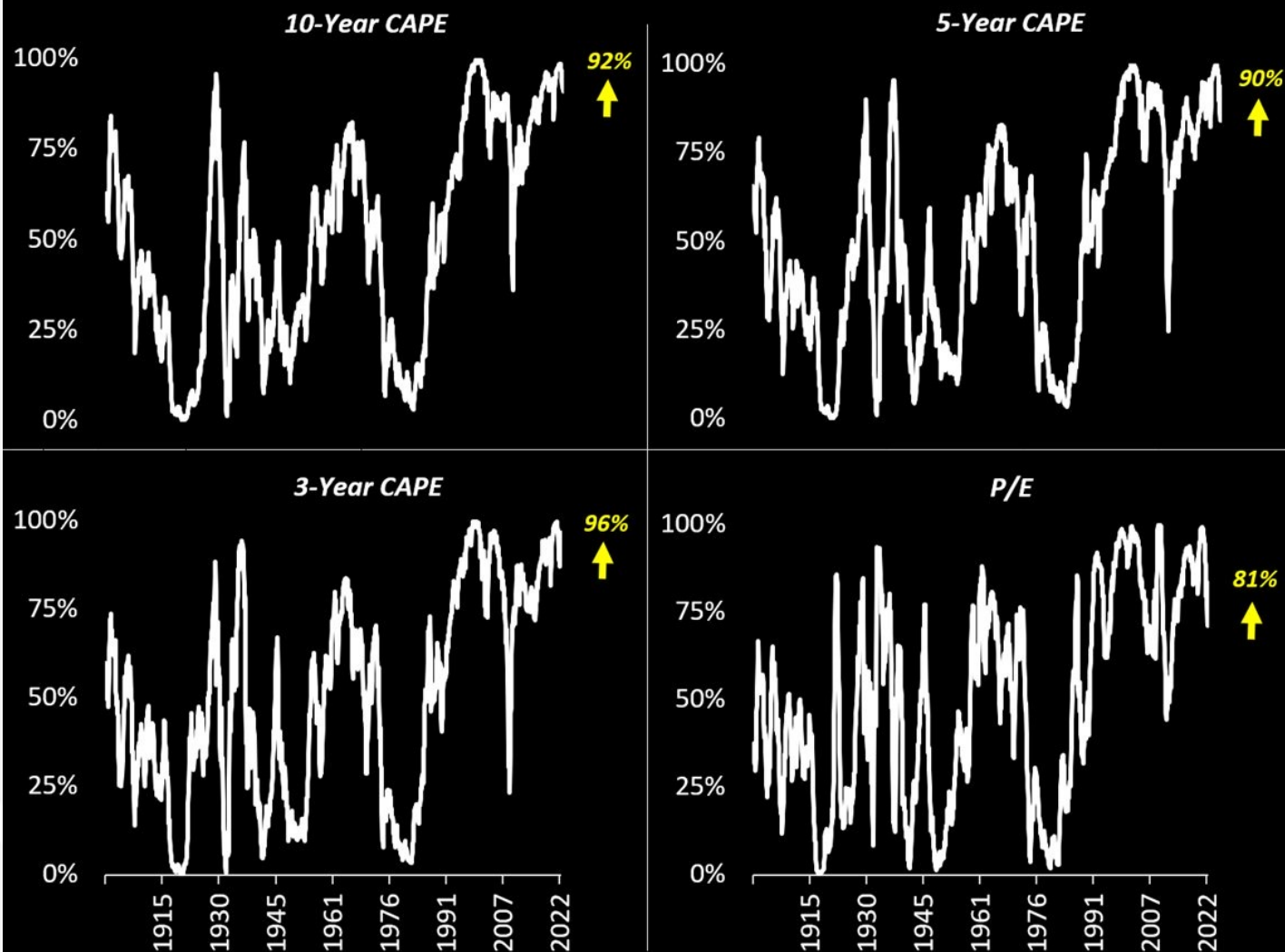
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The issue today is that we are two years into the decade where real corporate earnings have already grown by 23% with companies achieving their highest profit margins in history, the lagged product of unprecedented monetary stimulus that has been reversed.

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US Stocks Cyclically Adjusted P/E Ratio: Historical Percentile



Source: Professor Robert Shiller; Yale University; Tavi Costa

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On a CAPE ratio basis, for instance, market prices are near record levels relative to 1, 3, 5, and 10-year cyclically adjusted earnings.

The only plausible way to justify the current multiples in equity markets would be if, for the first time in history, we were to experience a 50% increase in real earnings for back-to-back decades.

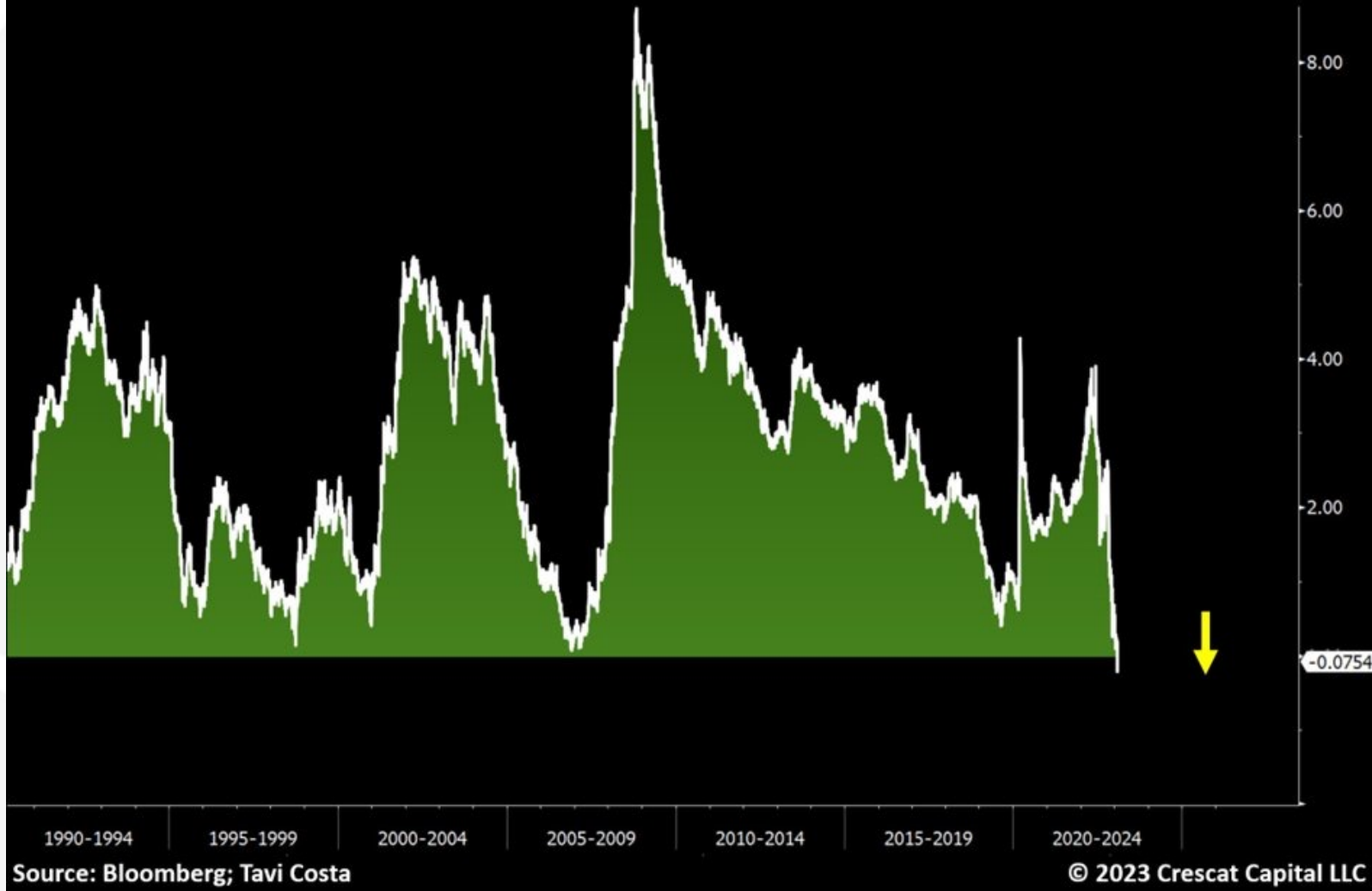
US Stocks' Earnings Yield vs. Fed Funds Rate



Earnings yield for US stocks is now close to turning negative versus the Fed funds rate for the first time since the tech bust.

US Corporate Bonds' Yields Minus Fed Funds Rate

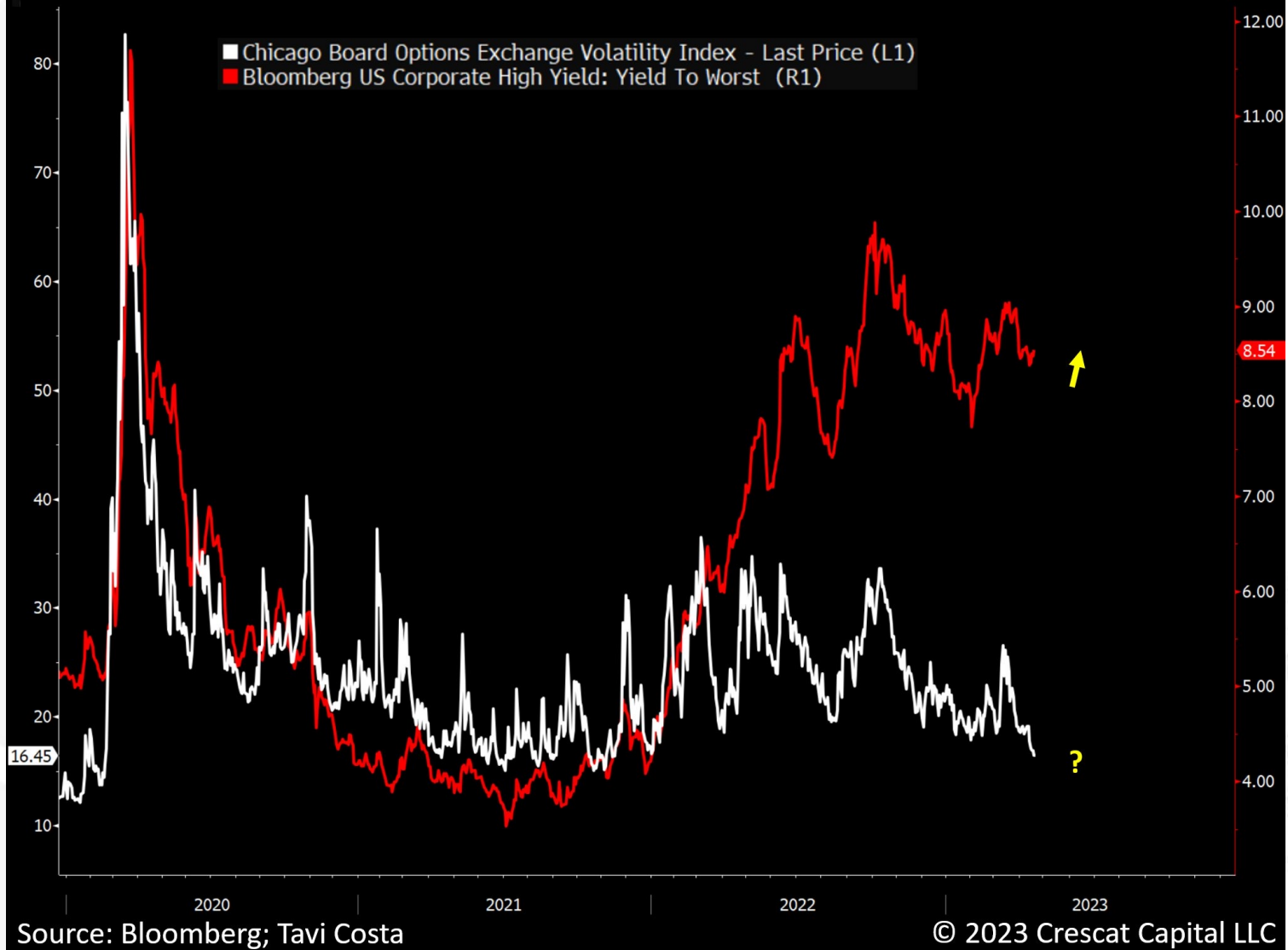
Calculation: Bloomberg US Average Corporate Bond Yield – Fed Funds Rate (%)



Why would anyone take the extra risk of owning corporate bonds when one can receive over 4.75% yield risk-free?

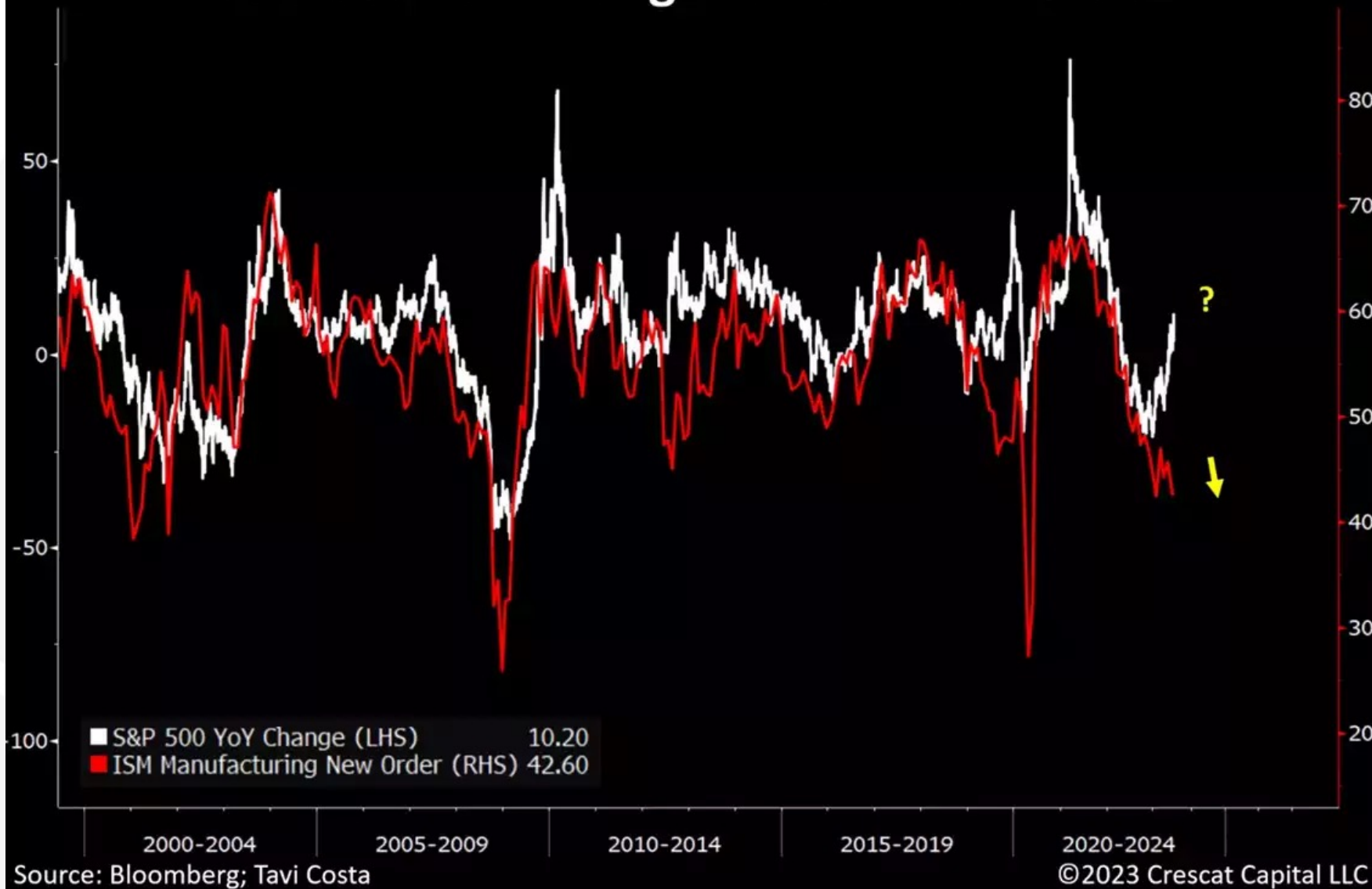
This is arguably the most expensive part of today's market.

Junk Bond Yields vs. VIX Index



Junk bond yields are materially diverging from overall equity volatility, which appears to be unreasonably suppressed.

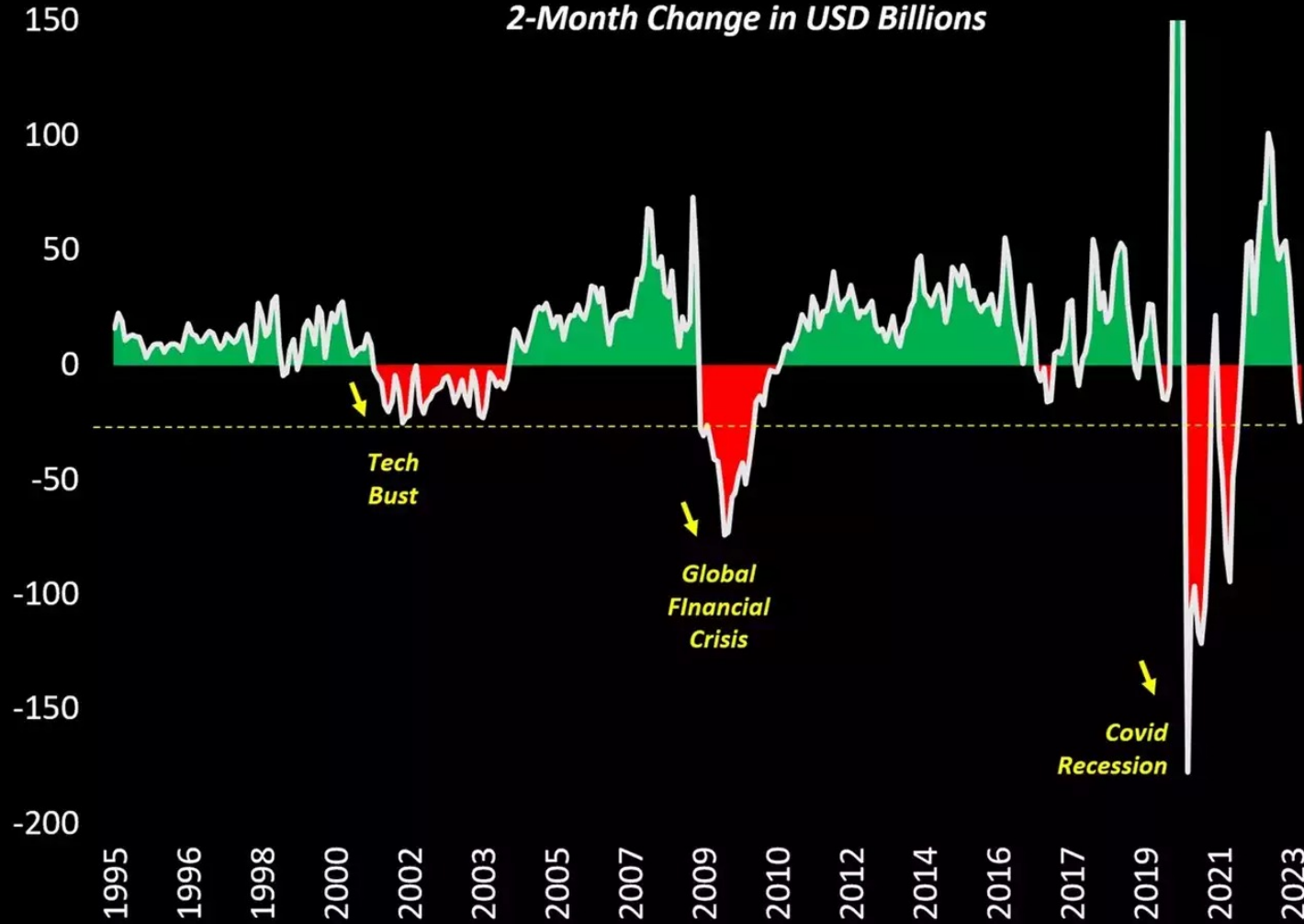
S&P 500 YoY Change vs. ISM New Order



The year-over-year change in the S&P 500 is now diverging from the ISM New Orders index. Note that the last time this happened preceded the volatility event we had during the March 2020 crash and recession.

US Commercial & Industrial Loans

2-Month Change in USD Billions



Source: Bloomberg; Tavi Costa

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Let us not forget that the yield curve has been warning us all along. In November, more than 70% of the entire Treasury curve inverted, which is a signal that has never failed in forecasting severe economic downturns.

US Market Cap to GDP (%)



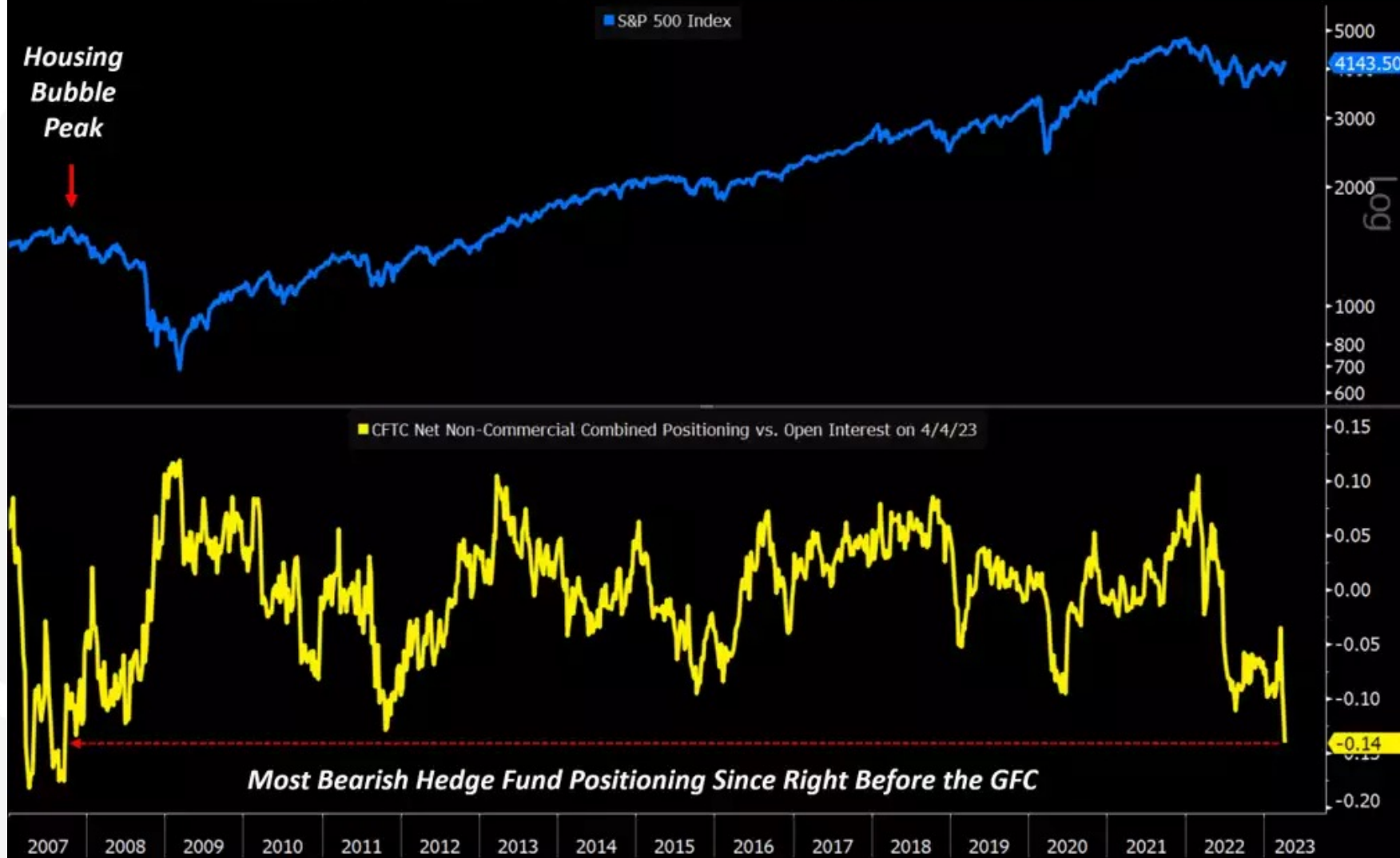
Source: Bloomberg

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The US total equity market cap relative to its GDP has come down, but it is just re-testing the highs of the peak of the technology bubble in 2000.

Hedge Fund Positioning vs. S&P 500



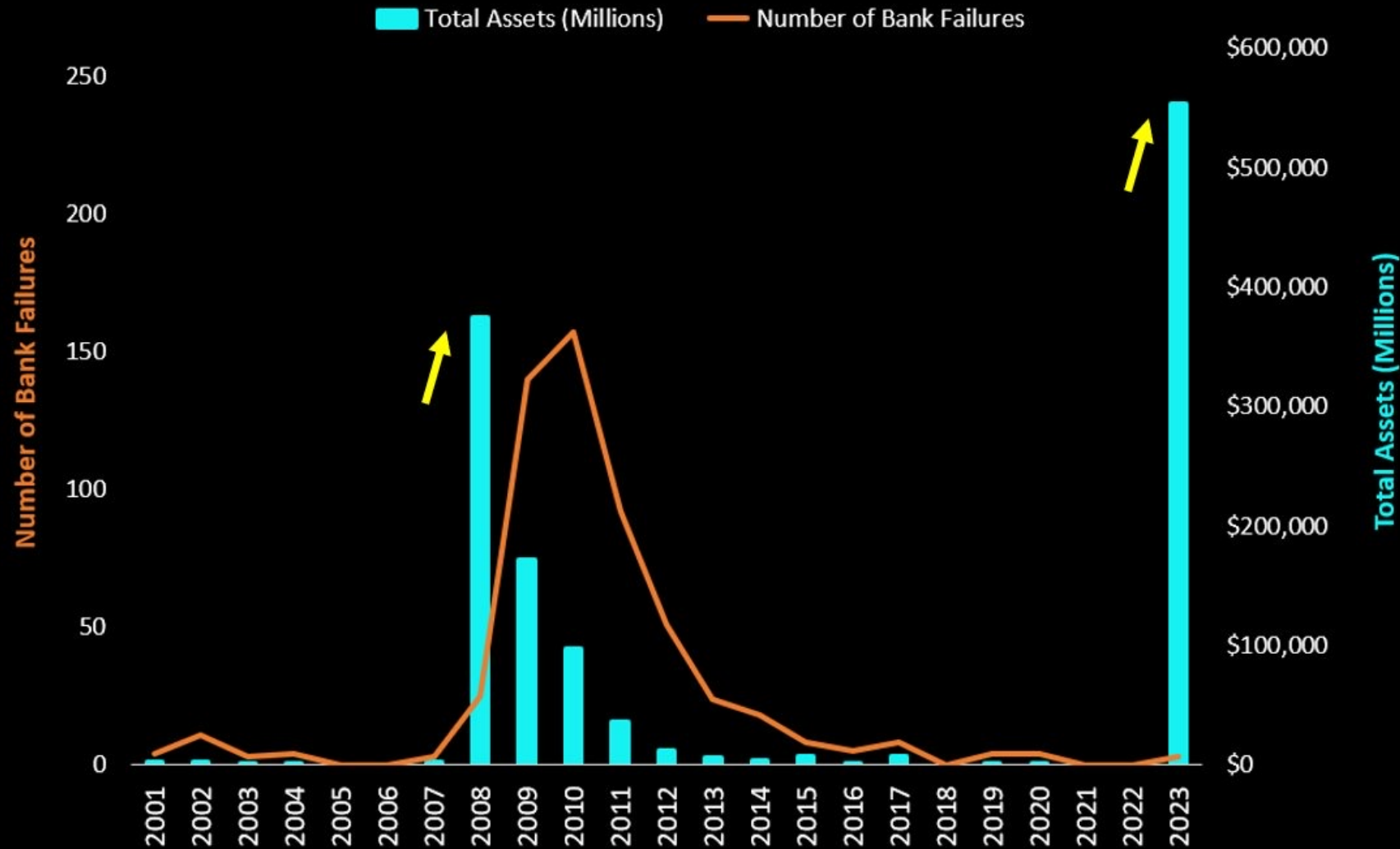
Source: Bloomberg, Kevin Smith

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Investors should strive to determine the fundamental and macro picture for themselves from a variety of data sources and not get sucked in by Wall Street's sometimes compromised and twisted takes.

Bank Failures by Year



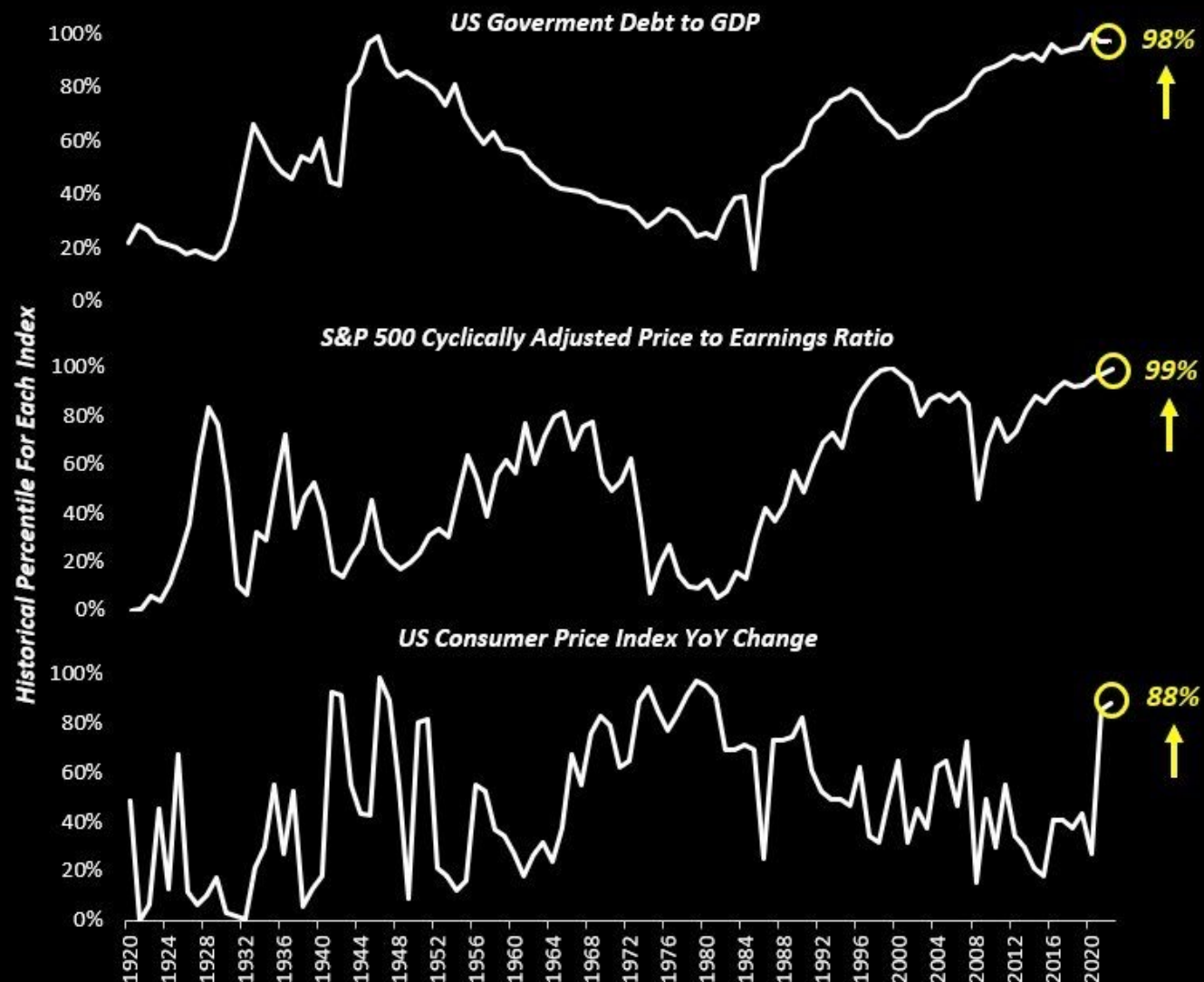
Source: FDIC; Nathaniel Gilbert

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A reminder that back in the Global Financial Crisis over 150 banks went out of business.

Debt, Valuation & Inflation



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

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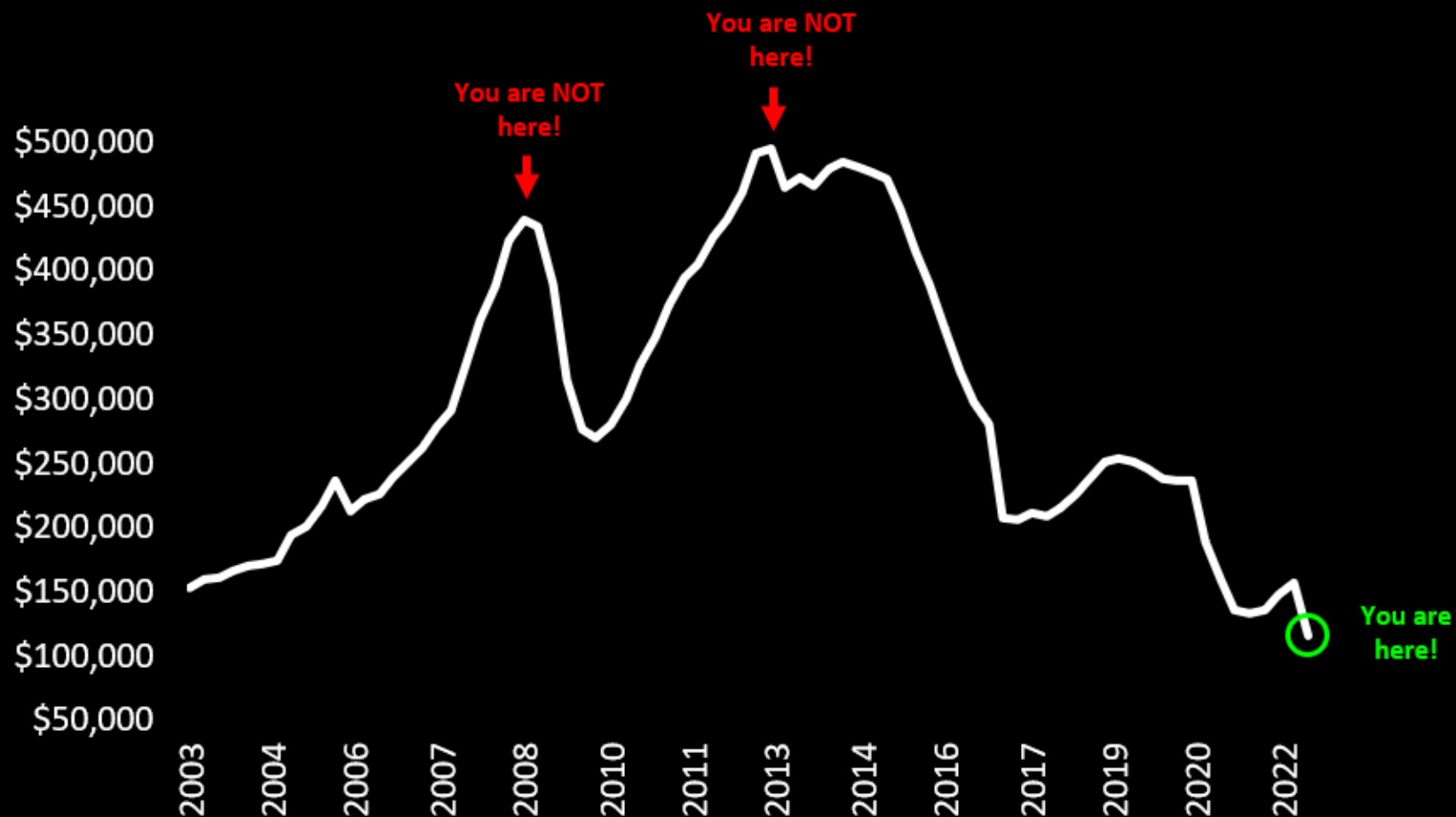


For the first time in history, the US is experiencing a confluence of three macro extremes all at once:

- High government debt to GDP like the post-war 1940s
- Excessive stock market valuation on par with 1929 & 2000 bubbles
- A resource-driven inflationary crisis environment comparable to the 1970s

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

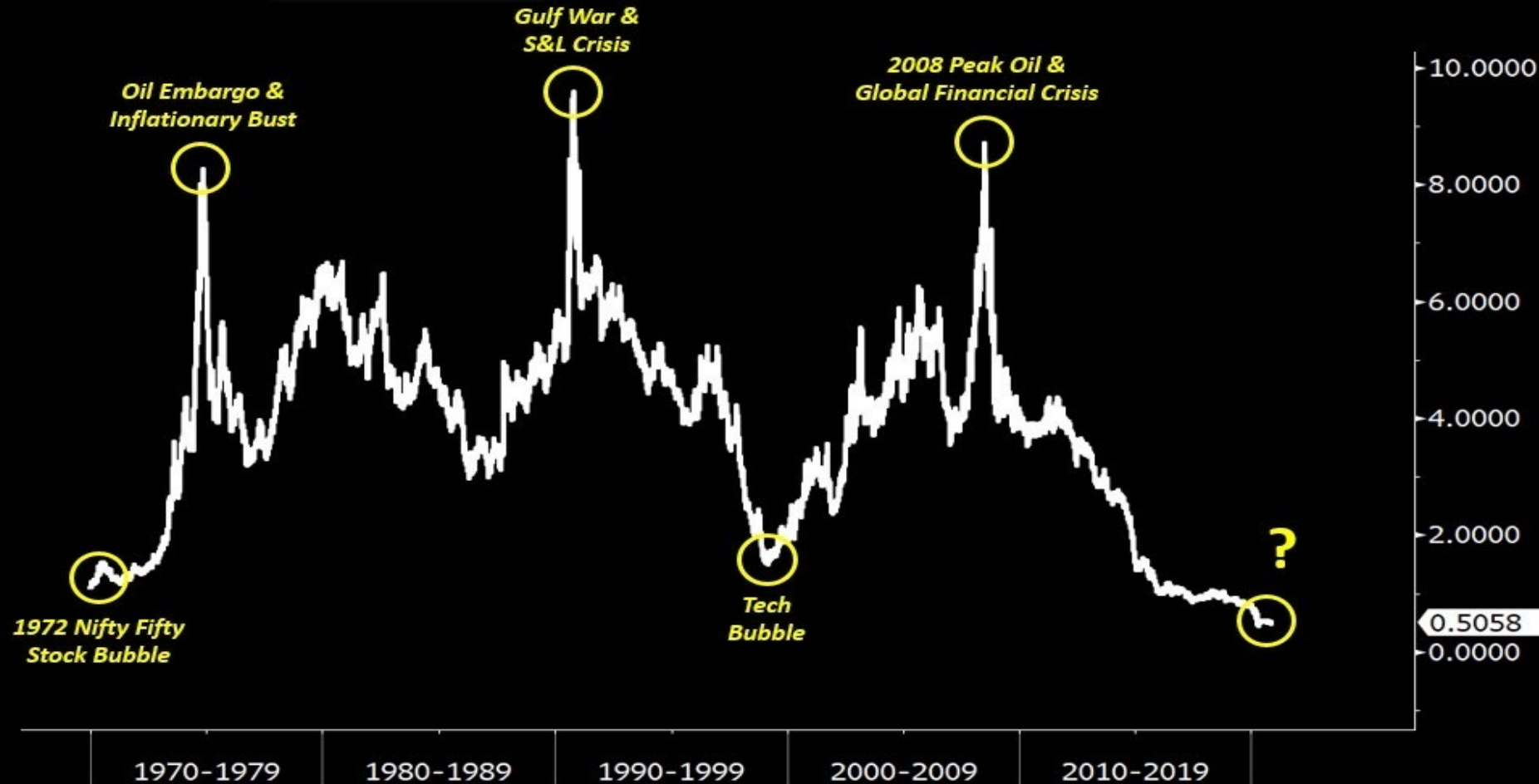
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With the Fed tightening financial conditions, the availability of capital to invest in natural resource projects is also drying up.

We believe supply constraints are likely to stay with us for a long time.

Commodities to Equities Ratio



Source: Incrementum AG

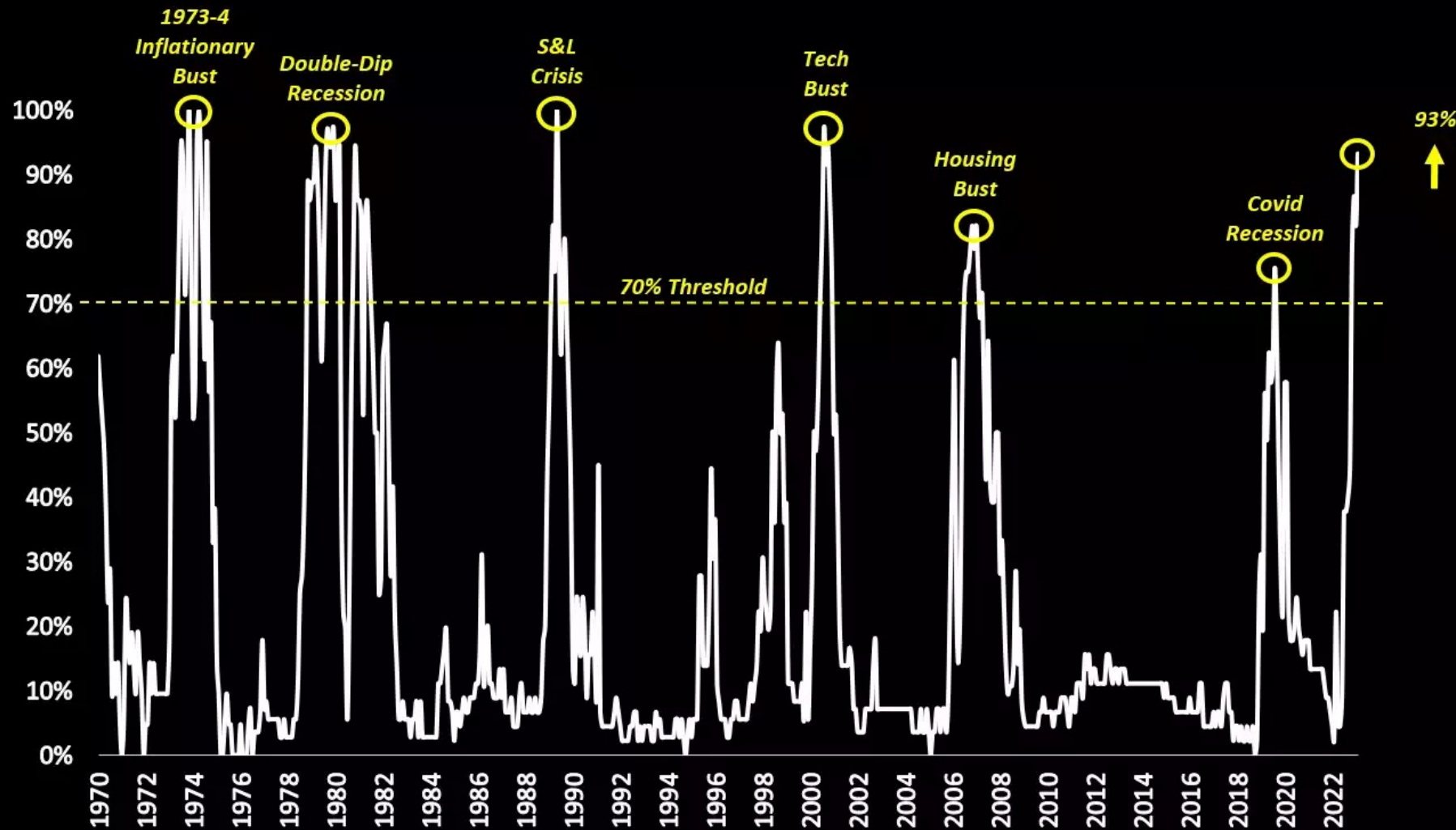
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It is still very early, in our analysis, in the rotation cycle out of overvalued growth equities and low-yielding fixed-income securities and into commodities. It is just like early 1973 and early 2001 in our view.

The commodities-to-equity ratio is at a 50-year low.

US % of Yield Curve Inversions



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

Source: Bloomberg; Tavi Costa

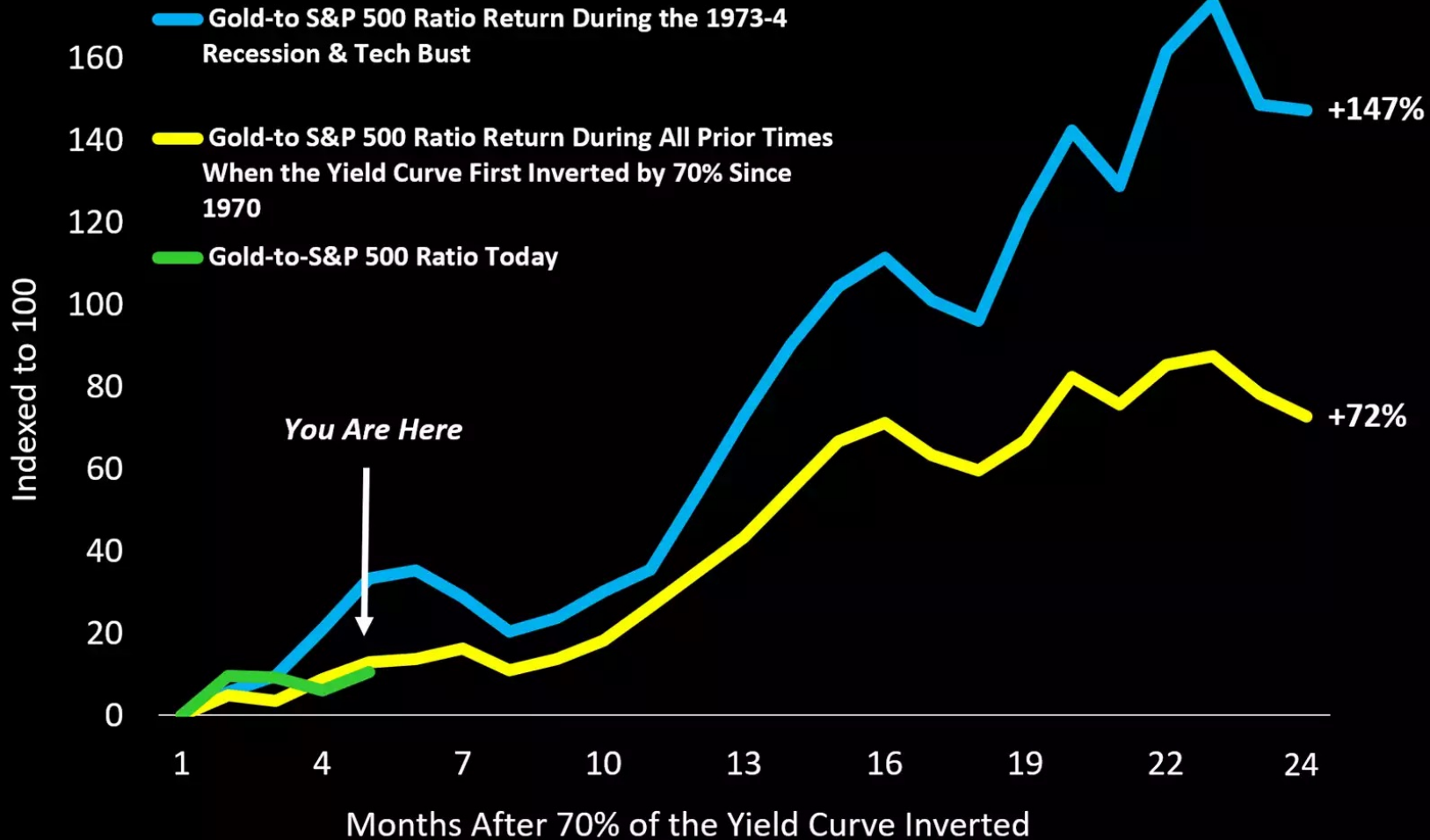
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The curve's level of extreme inversion since November 2022, given still-excessive equity and fixed-income security valuations, is a blaring macro warning signal of a pending hard landing.

Gold-to-S&P 500 After Yield Curve Inversions

2-Year Average Performance



These historical trends suggest the potential for a significant opportunity in precious metals relative to equities given the current market environment.

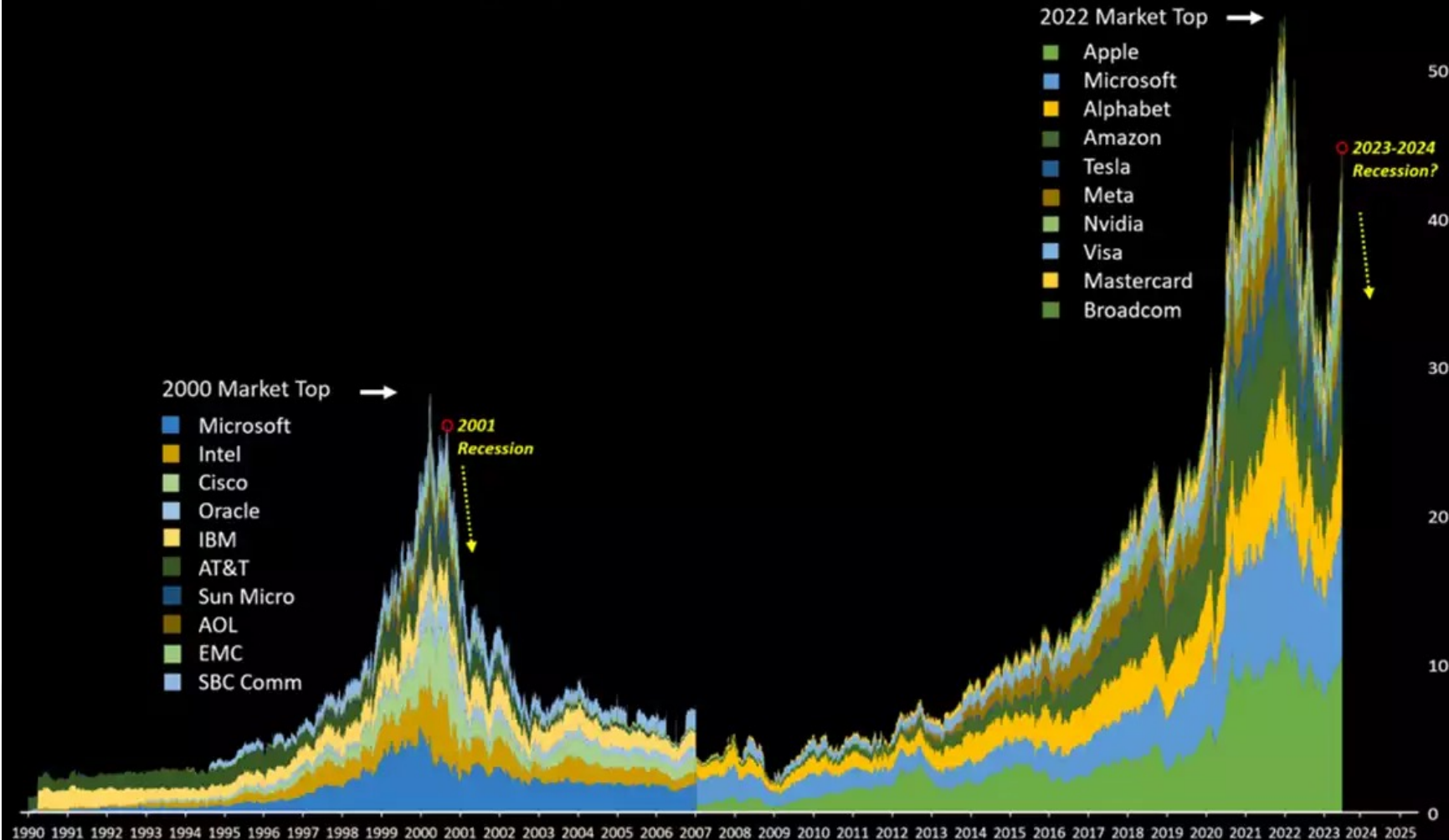
Source: Tavi Costa

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Crescat Macro Presentation

Tech Bubble Market Tops Lead to Recessions

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



Source: Bloomberg, Kevin Smith

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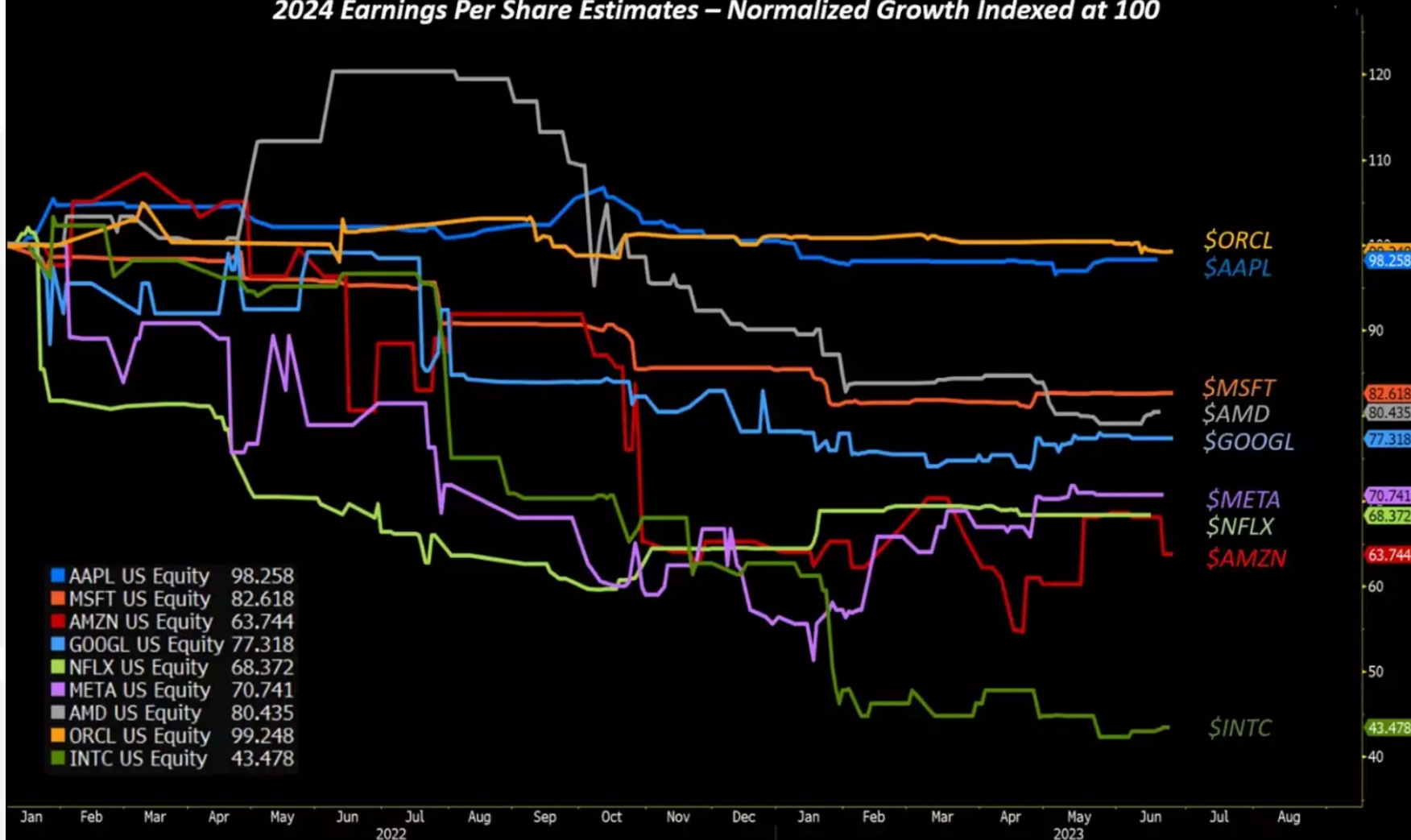


We see highly overvalued long-duration financial assets as ripe for a major leg down due to the rising cost of capital and the deluge of US Treasury issuances now hitting the market.

Crescat Macro Presentation

Tech Megacap Stocks: Earnings Estimates

2024 Earnings Per Share Estimates – Normalized Growth Indexed at 100



Source: Bloomberg; Tavi Costa

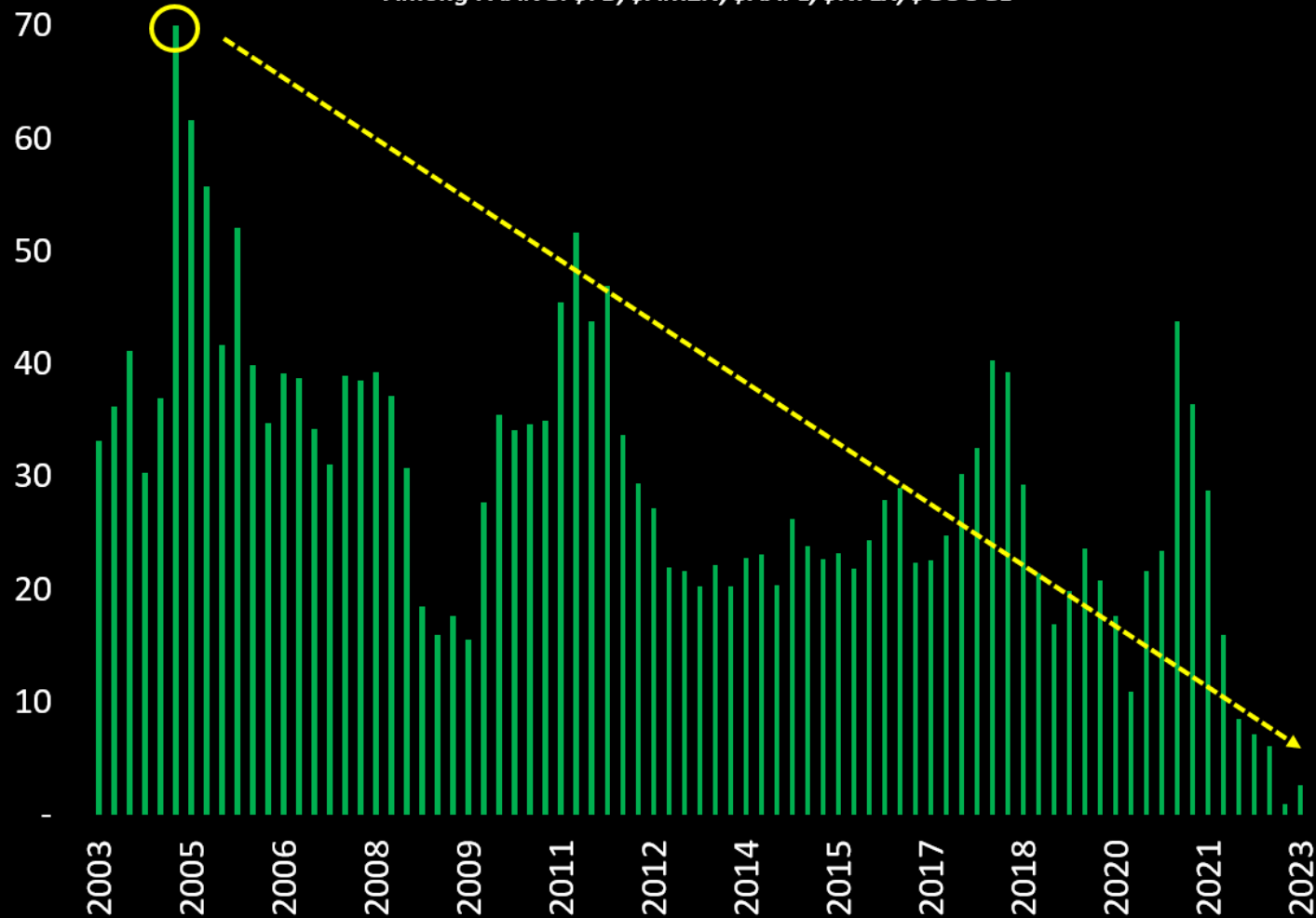
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It is intriguing how the recent rise in tech megacap stocks has not been accompanied by a corresponding growth in projected earnings, despite the enthusiasm surrounding AI. In reality, we have seen the opposite of that in some cases.

FAANG Revenue Growth (%)

Median YoY Sales Growth
Among FAANG: \$FB, \$AMZN, \$AAPL, \$NFLX, \$GOOGL



Source: Tavi Costa

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All FAANG stocks have already reported earnings, and median revenue growth confirms the gradual long-term declining trend, which is now approaching negative levels.

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US Equities Valuations vs. Gold-to-S&P 500 Ratio

US Stocks Total Market Cap as a % of GDP

Everything
Bubble

Peak of the
Tech Bubble

Gold-to-S&P 500 Ratio

Commodities
Cycle ?

'92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24 '25 '26

Source: Bloomberg; Tavi Costa

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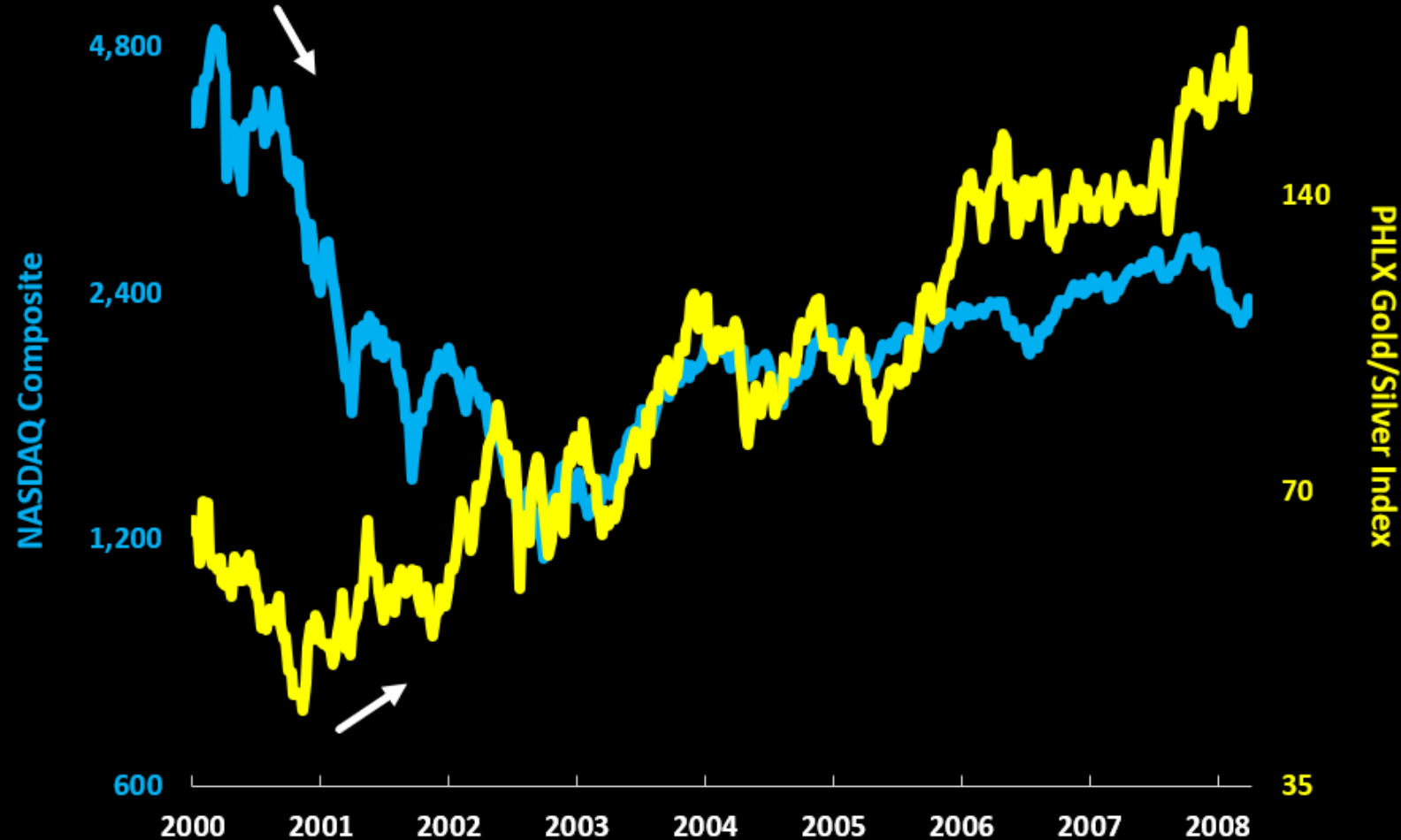


Using one of the most traditional ways of assessing the state of the market, also Warren Buffet's favorite indicator, the total market cap of the overall stock market as a percentage of GDP is currently slightly above where it was at the peak of the Technology Bubble in 2000.

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Tech Bust

Philadelphia Gold and Silver Index vs. Nasdaq Composite



Source: Bloomberg

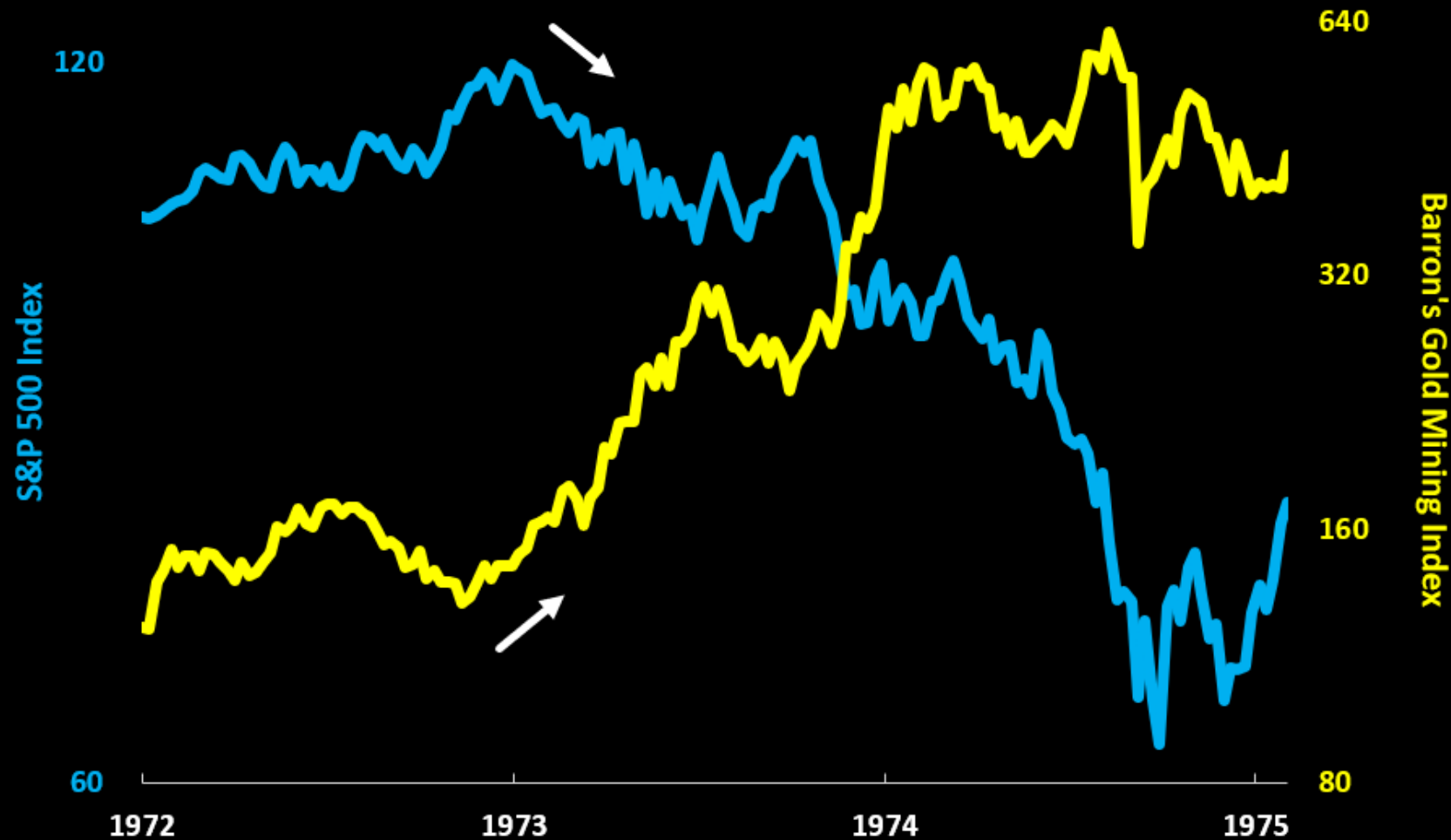
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In the early 2000's tech bust, NASDAQ continued to fall all the way to October 2002, but the great buying opportunity for precious metals mining stocks started at the end of 2000.

Inflationary Recession of 1973-74

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



Source: Gold Charts R Us

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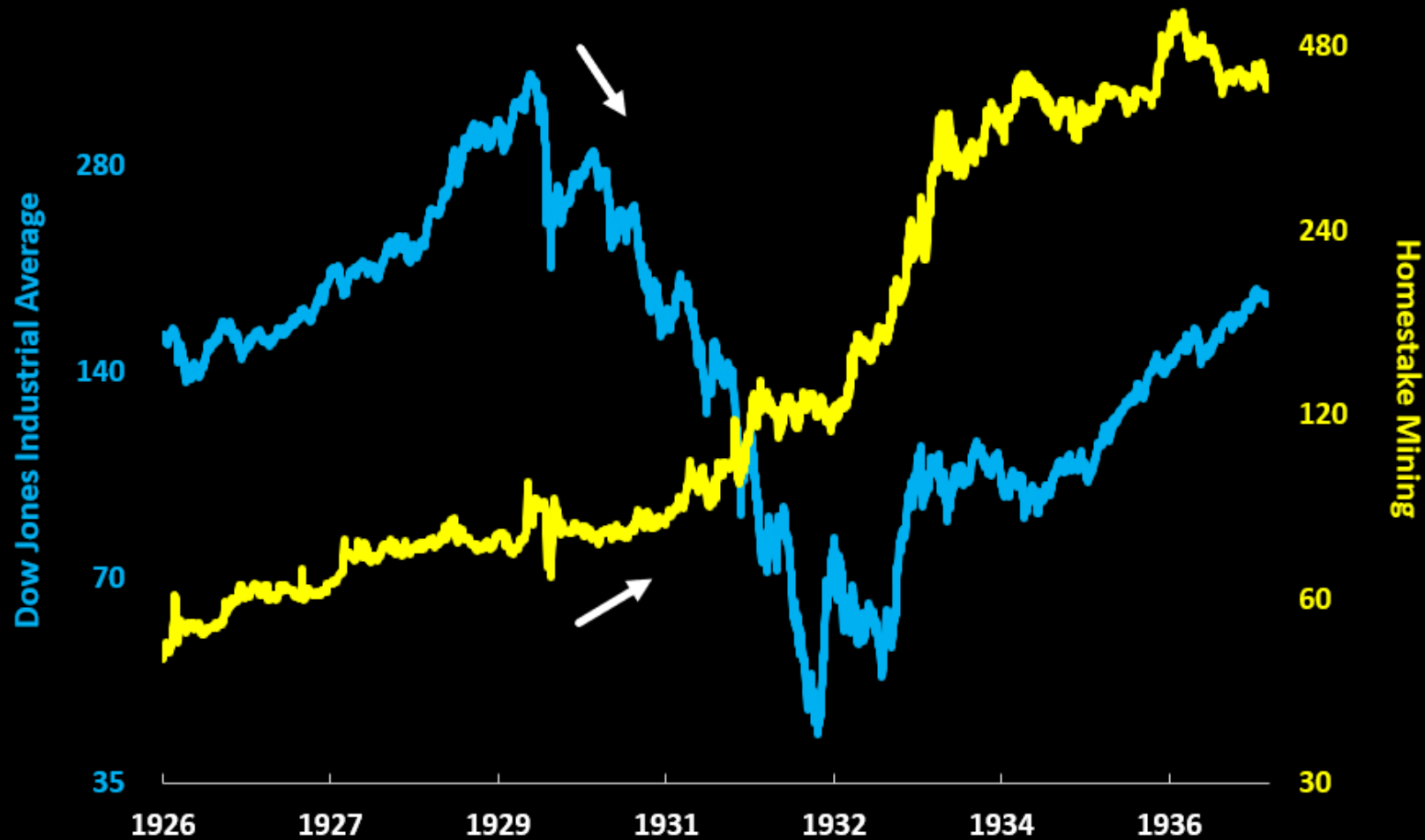
In 1973 to 1974, mining stocks went up 5-fold in just two years while the S&P 500 declined 50%

Large-cap growth stocks known as the Nifty Fifty at the time, the mega-caps of their day, went down substantially more.

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Great Depression

Homestake Mining vs. Dow Jones



Source: CRSP

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Even in that deflationary era, the largest gold mining stock appreciated a whopping 7-fold in five years after the 1929 crash while the Dow Jones finished the same period lower.

"A Barbarous Relic"

Gold Prices From 1980 to 2001



Source: Bloomberg; Tavi Costa

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The current skepticism surrounding gold brings back memories of the late 1990s when equity markets soared due to the excitement surrounding the emergence of the Internet.

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2nd Gold Cycle



Source: Bloomberg; Tavi Costa

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However, markets often defy conventional expectations, and that period marked the bottom for gold prices, initiating a new long-term uptrend, propelling gold into a secular bull market that lasted over a decade.

Gold Prices



Source: Bloomberg; Tavi Costa

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Despite gold being within 5% of its all-time highs, skepticism towards the metal remains prevalent.



Silver looks ready to break through its decade-long resistance this month. One thing is likely to be true, if this is indeed the onset of a new gold cycle, none of us own enough silver.

RESOURCE UNDERINVESTMENT

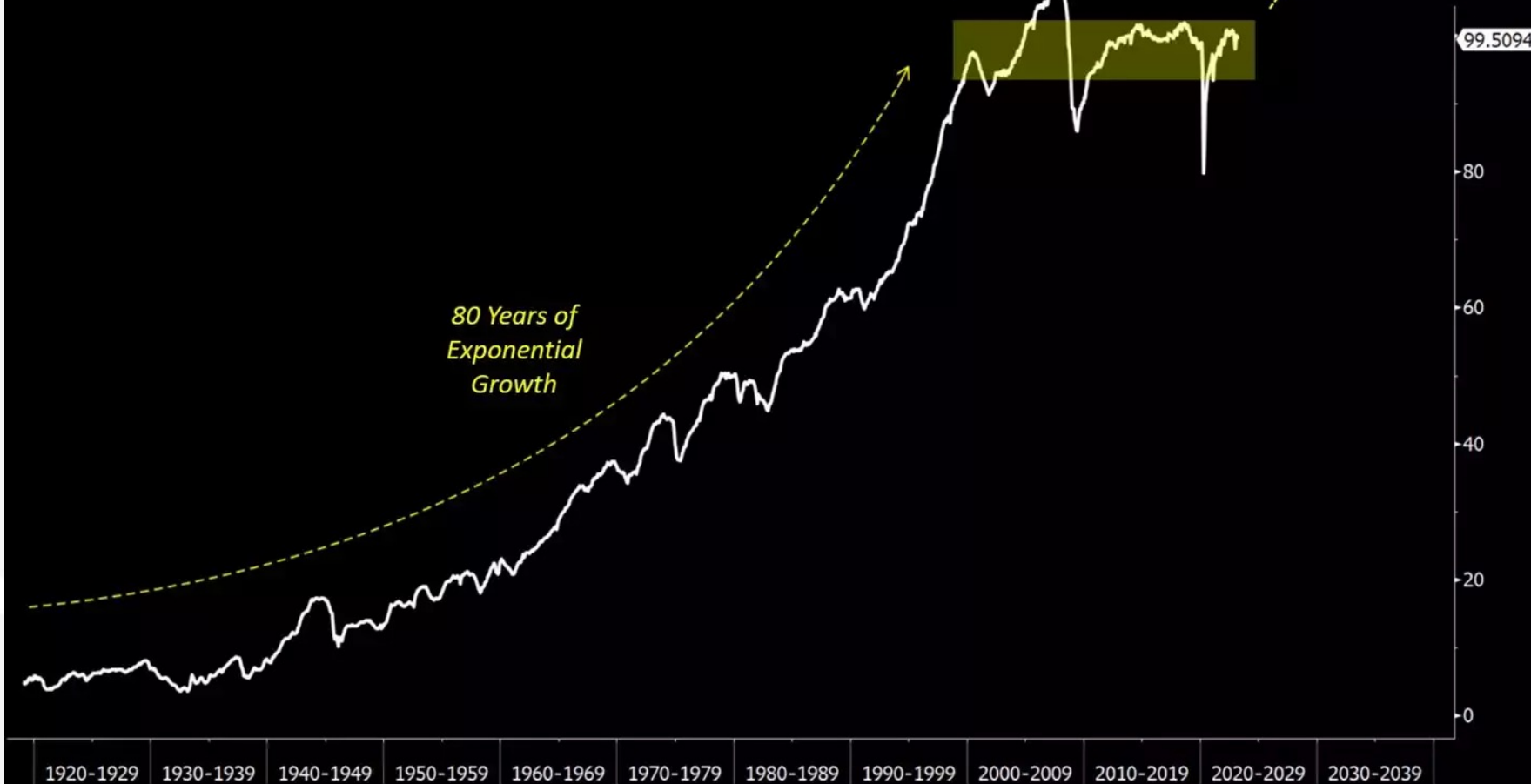
US Industrial Production

Manufacturing Group

Stagnant Period

*US Manufacturing
Revitalization Era*

*80 Years of
Exponential
Growth*



Source: Bloomberg; Tavi Costa

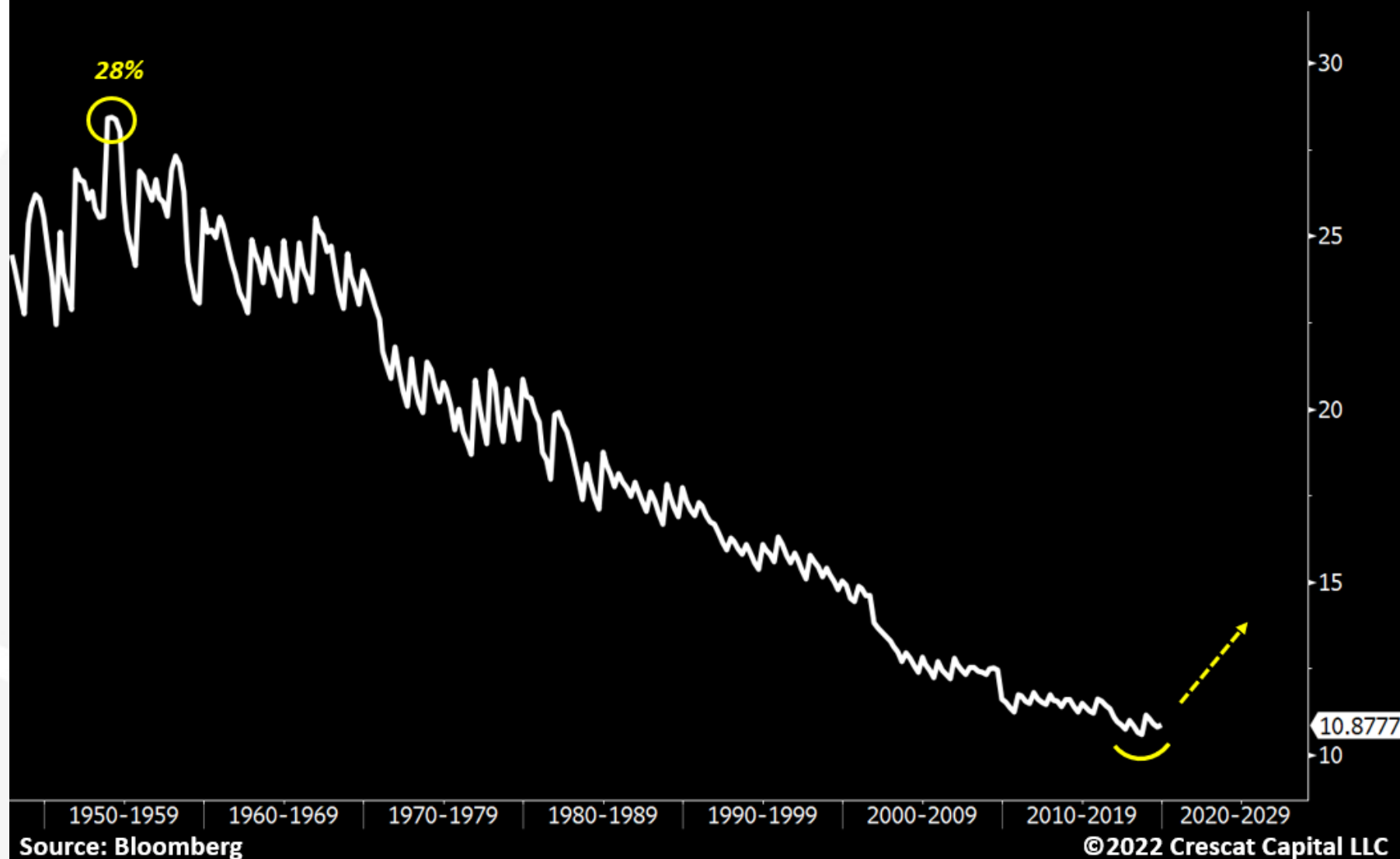
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The current situation presents a unique opportunity for natural resource industries to perform exceptionally well, particularly at a time when these companies remain a fraction of the overall global equity market.

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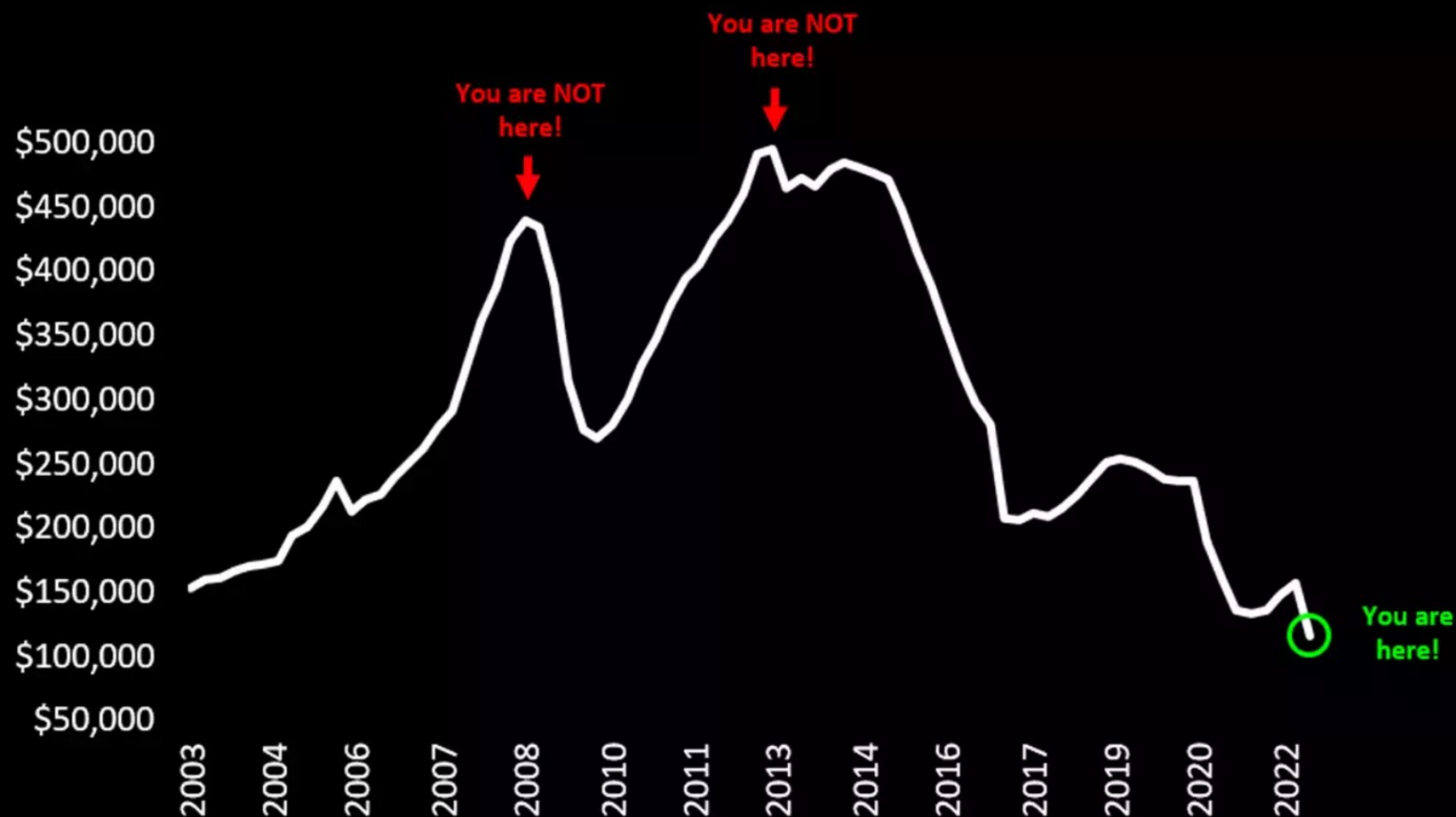
US Manufacturing Relative to GDP (%)



This white line is very likely headed higher and should be one of the main investment cases for the long-term commodities bull market that we have just entered.

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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It's important to consider the cross-asset correlations during the stagflationary crisis of 1973-4. Back then, tangible assets and resource businesses rallied drastically despite the collapse in stocks and bonds.

Metals & Mining Industry As a % of the S&P 500 Index



Source: Bloomberg

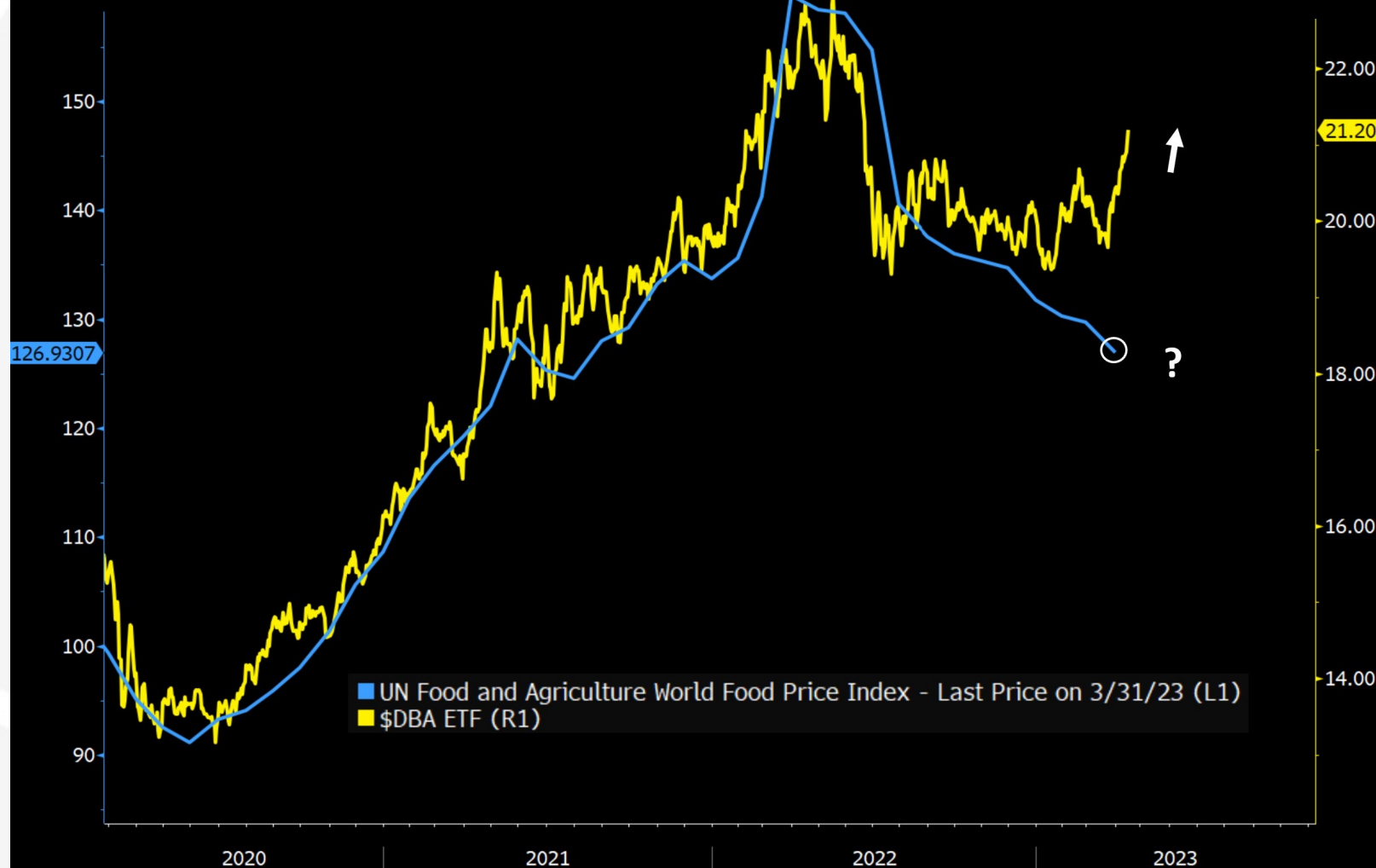
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The metals and mining industry as part of the overall stock market is almost a rounding error.

We believe this chart will look completely different by the end of this decade.

Agricultural Commodities vs. Food Prices



Agricultural commodities just had another significant move today, which indicates that food prices are poised to rise considerably from their current levels.

Source: Bloomberg; Tavi Costa

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The History of Pullbacks in Oil Prices



Source: Bloomberg; Tavi Costa

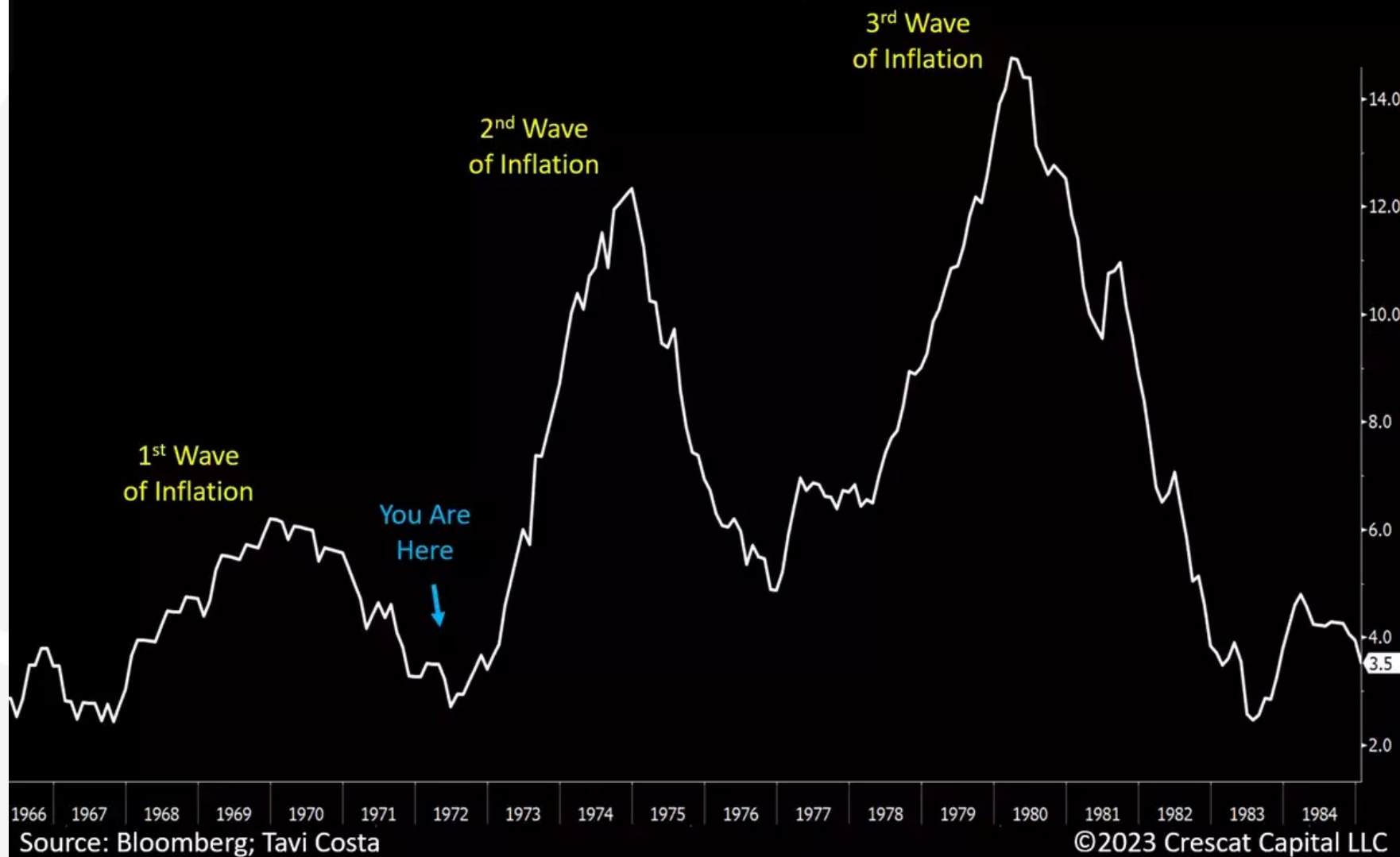
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In the current environment, we believe there are strong similarities to the early 2000s period, particularly in terms of historically depressed capital spending. Despite the risk of a demand shock, which is already largely reflected in the current prices, in our view, oil supply remains incredibly tight with production still below pre-pandemic levels.

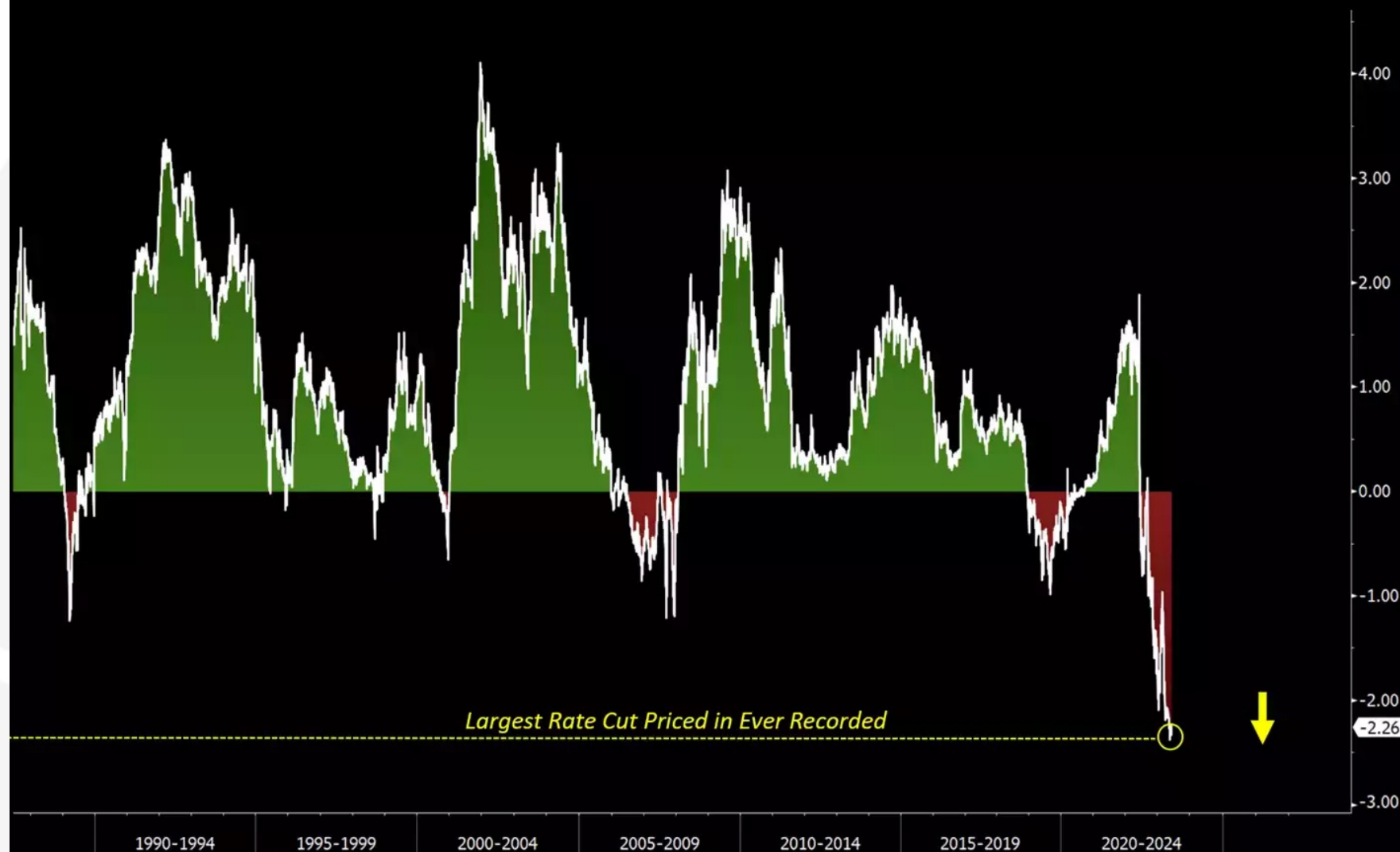
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The Three Inflationary Waves of the 1970s



The deceleration of inflation from peak levels has been rather slow when compared to other periods in history. To put it into perspective, we just had 10 consecutive monthly declines in CPI year-over-year and the index is still standing at 4.9%.

1-Year Eurodollar Curve



Source: Bloomberg; Tavi Costa

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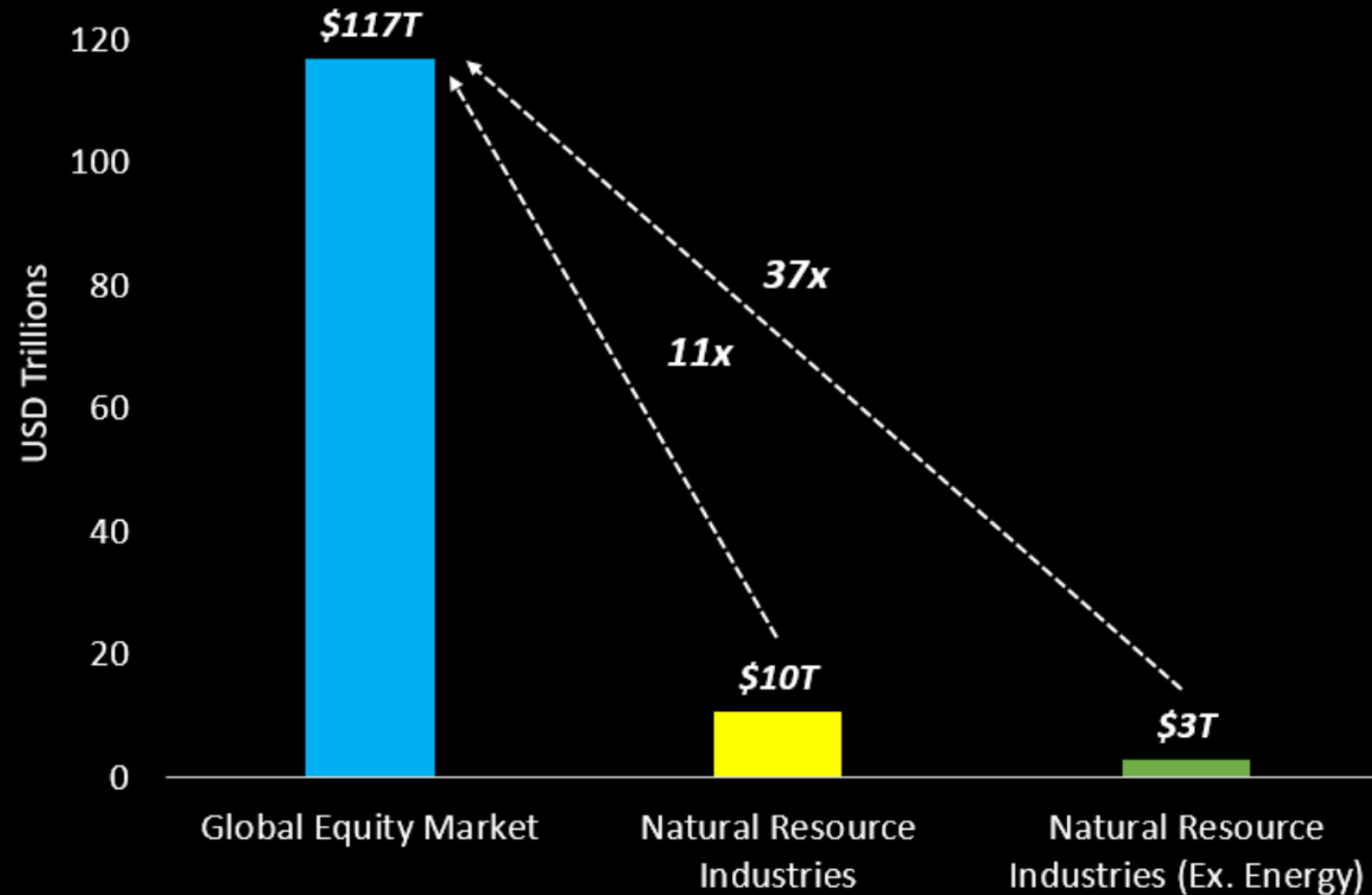


Investors are highly likely to be caught off guard as CPI starts to accelerate again, leading the US monetary authorities to maintain higher Fed funds rates for longer and even engage in additional rate hikes in the short turn until its recessionary goals can be more clearly accomplished.

Crescat Macro Presentation

Natural Resource Industries vs. Global Equity Markets

Public Companies Aggregate Market Cap Worldwide



Source: Bloomberg

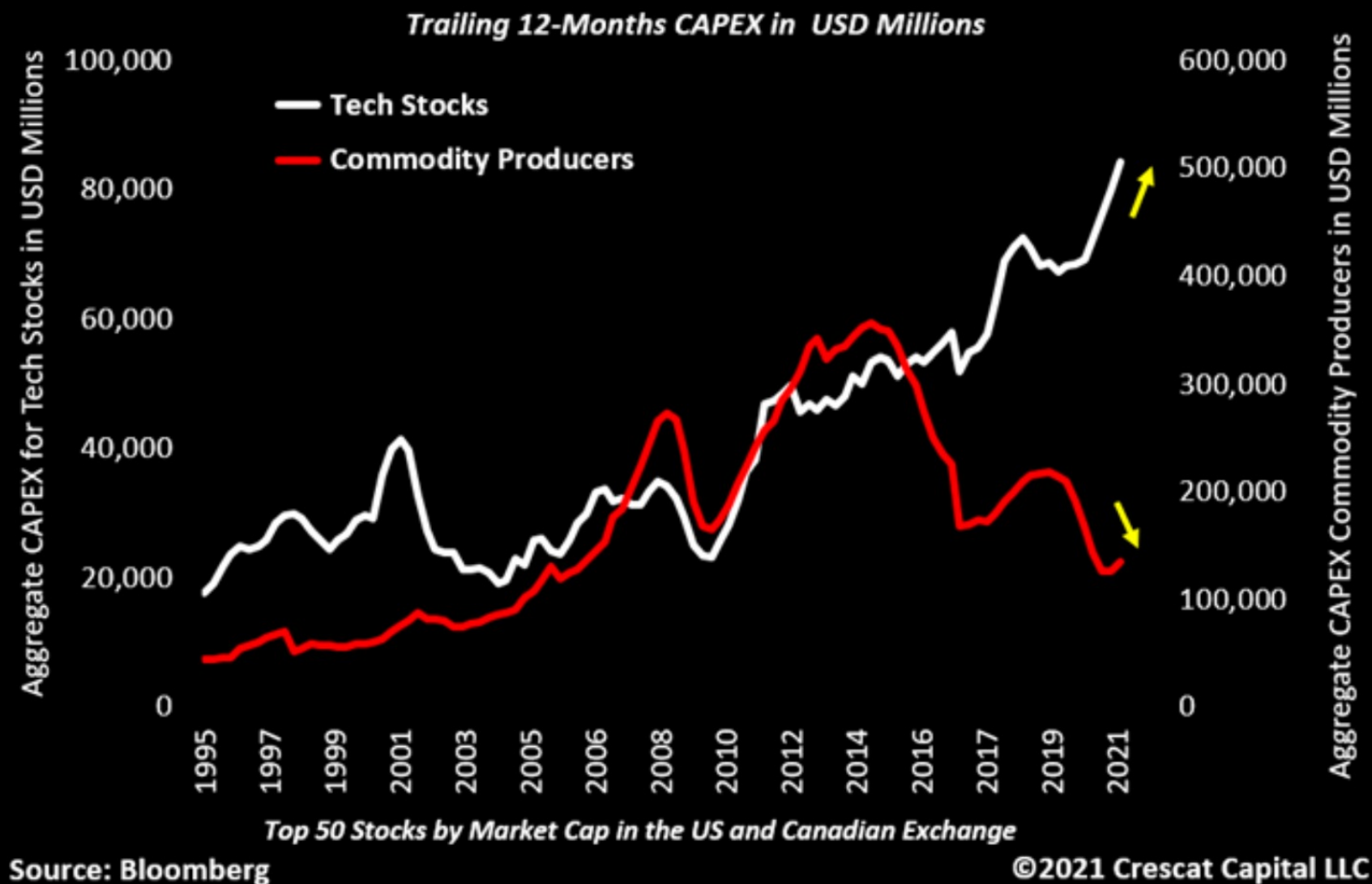
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The aggregate market cap for global equity markets is 11x larger than the current size of natural resource industries.

If we exclude the energy sector, it is close to 37x.

CAPEX Cycle: Tech Stocks vs. Commodity Producers

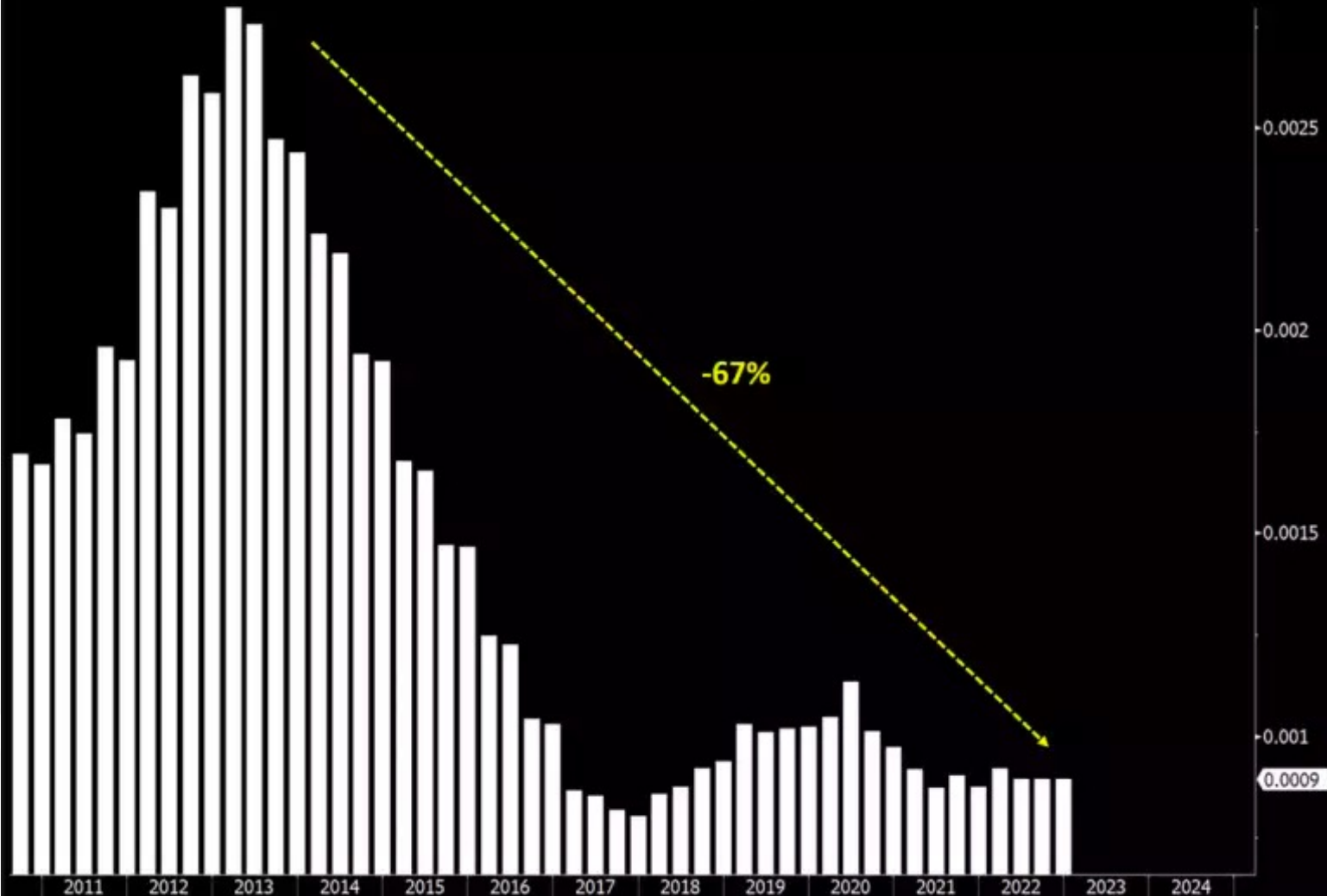


There has been a major divergence between the long-term capex of technology companies versus commodity producers.

This disconnection began in 2015, long before the Covid Recession.

Metals & Mining Industries: Aggregate CAPEX Adjusted by GDP

Universe: MSCI World Metals & Mining Index



Source: Bloomberg; Tavi Costa

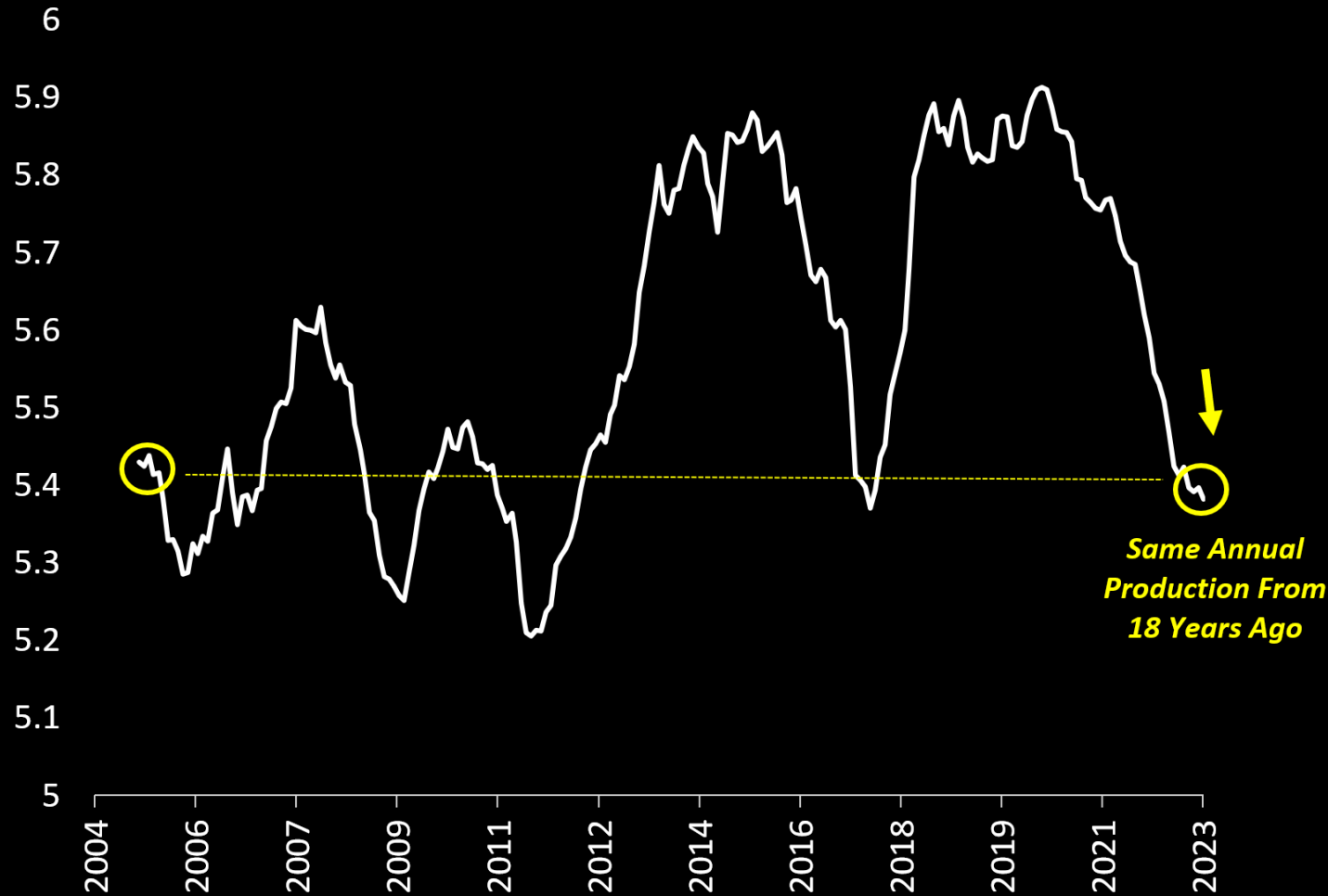
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This worldwide index of metals and mining companies also shows a nearly 70% decline in capital spending from 2013 levels.

Chile Copper Production

Annual Figures in Million Tonnes



Source: Instituto Nacional de Estadística; Tavi Costa

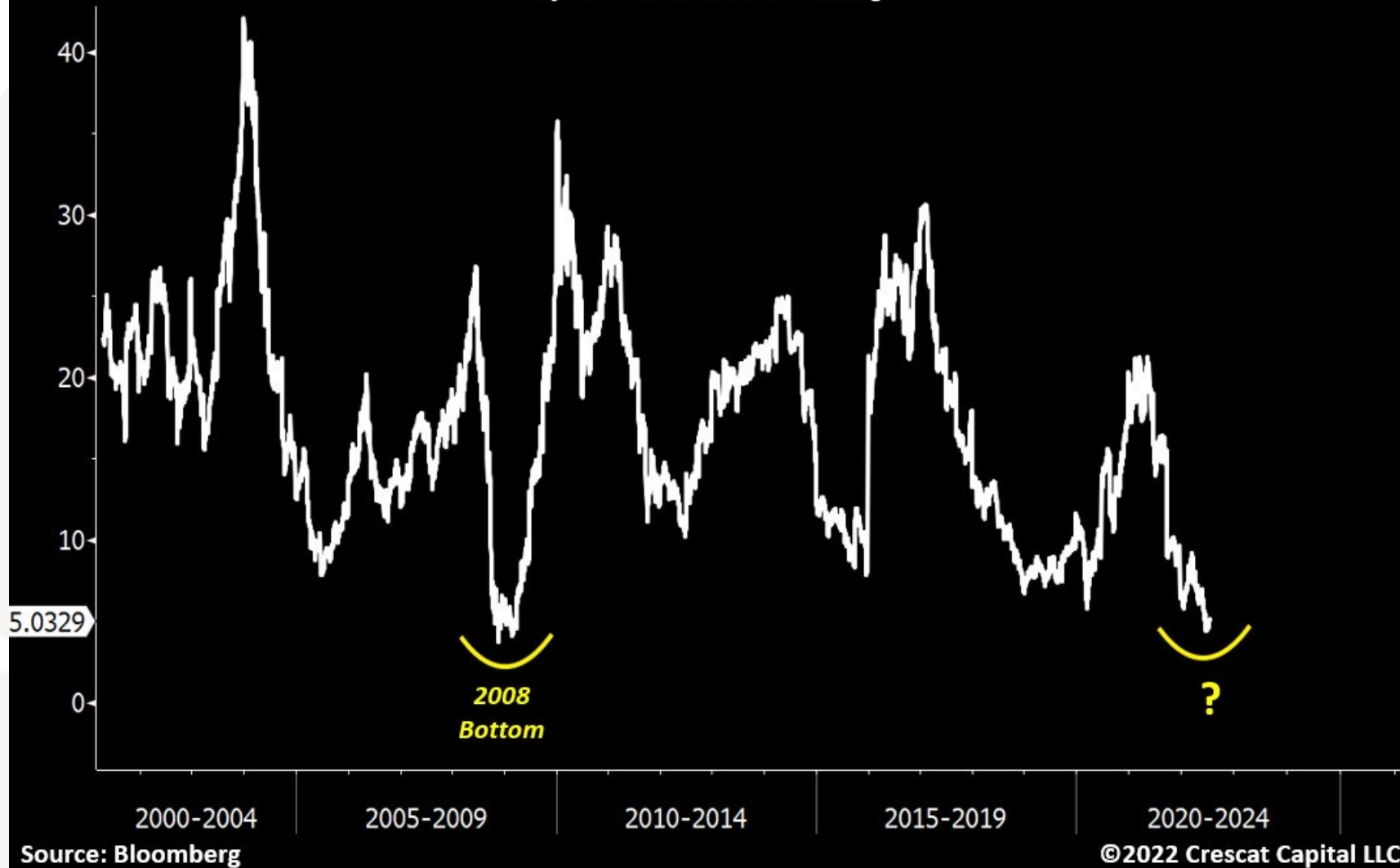
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Chile's overall copper production is currently as low as it was 18 years ago, nearly down 10% from its recent peak.

S&P 500 Metals & Mining Index

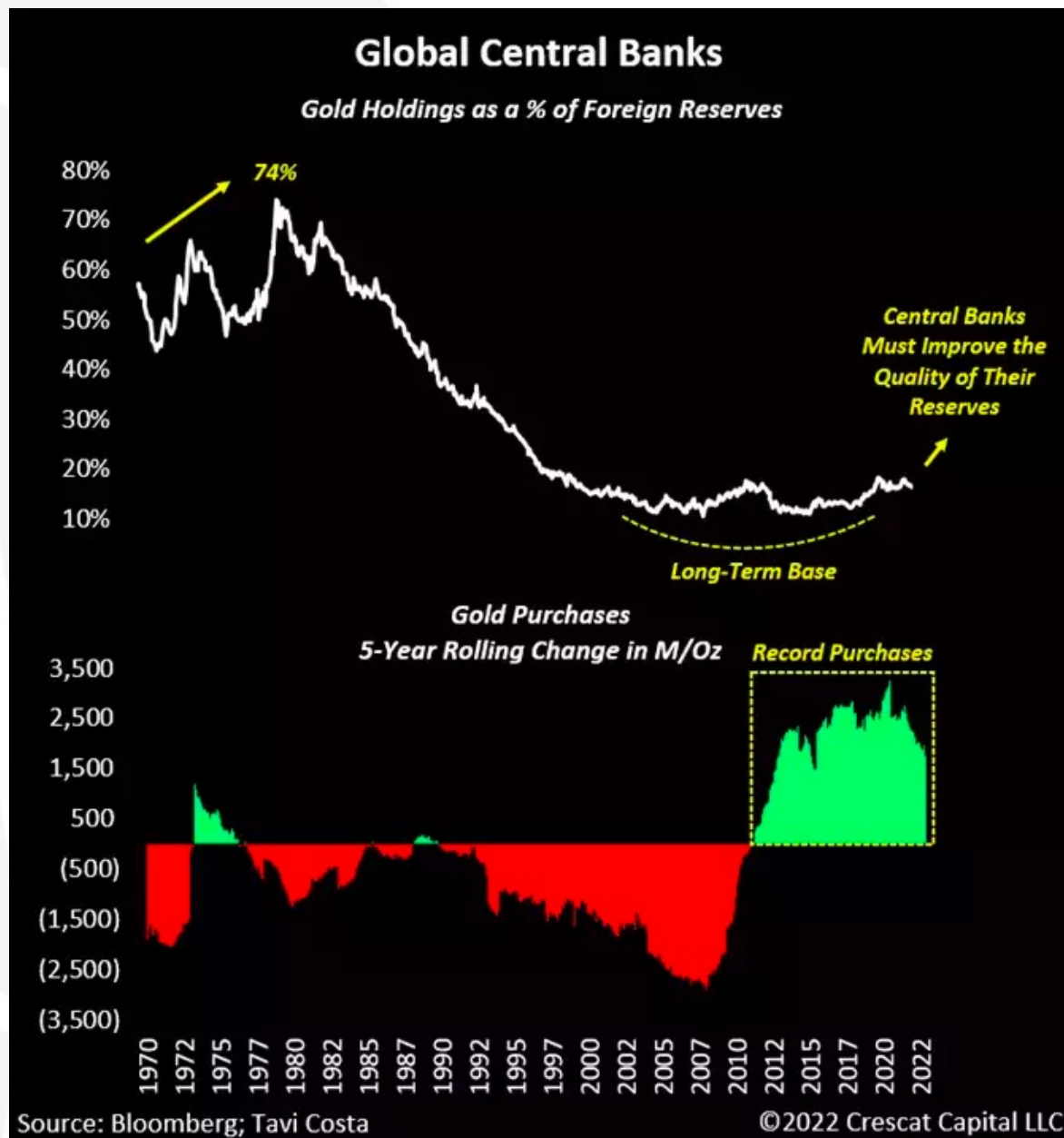
Adjusted Positive Price/Earnings



The case for owning mining companies has never been more compelling.

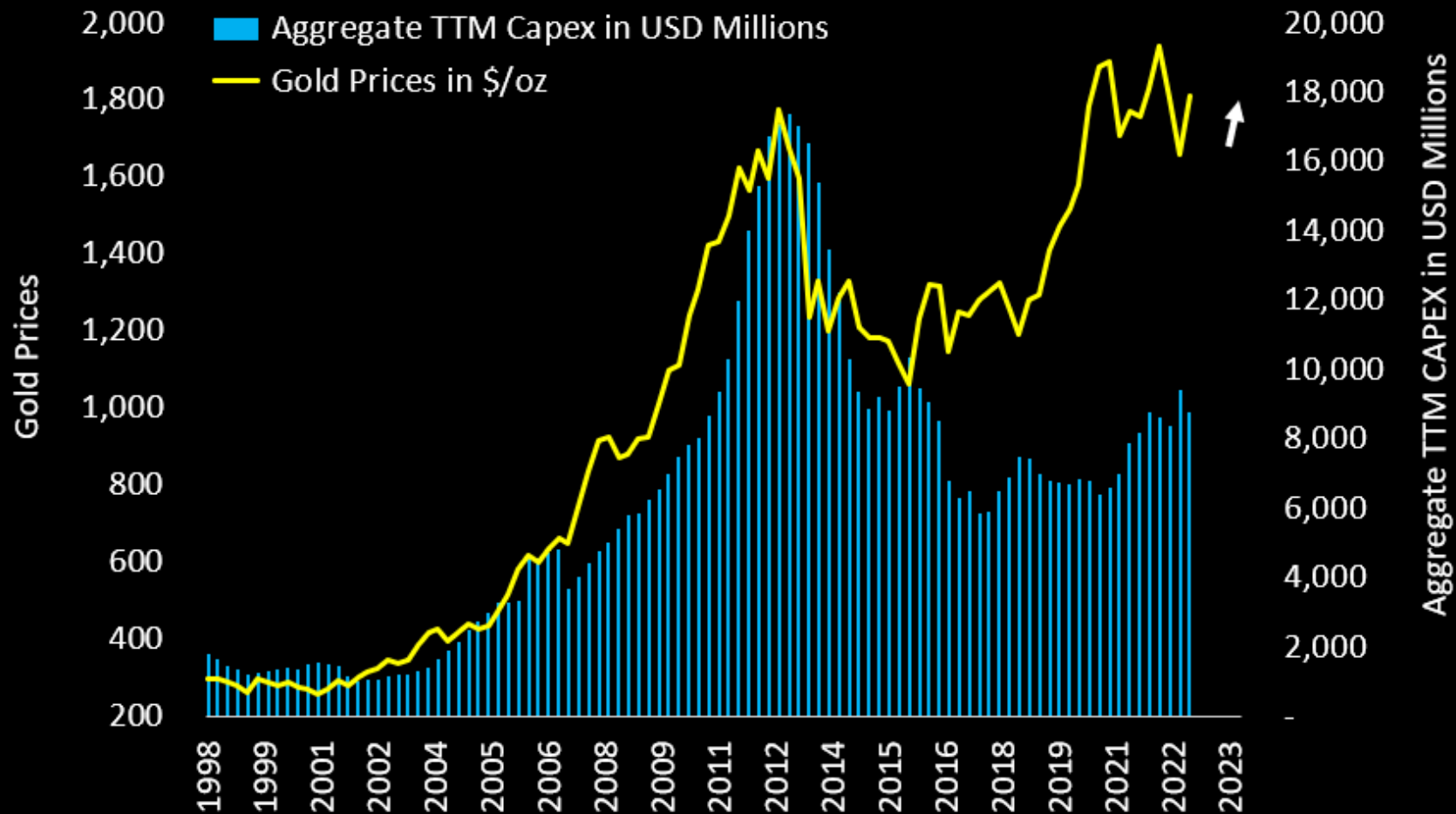
While we have seen general fundamental improvements across the industry, today's profitable mining companies are also trading at their lowest-ever P/E ratio, one that is currently matching their 2008 bottom.

GLOBAL FIAT CURRENCY DEBASEMENT



This is setting the stage for gold to reemerge as a key asset in improving the credibility of central banks' balance sheets. Rising geopolitical tensions only add to this thesis with gold being the perfect neutral alternative.

Precious Metals Miners: Capex vs. Gold Prices



Top 10 Miners by Market Cap in the Canadian & US Stock Exchanges

Source: Bloomberg; Tavi Costa

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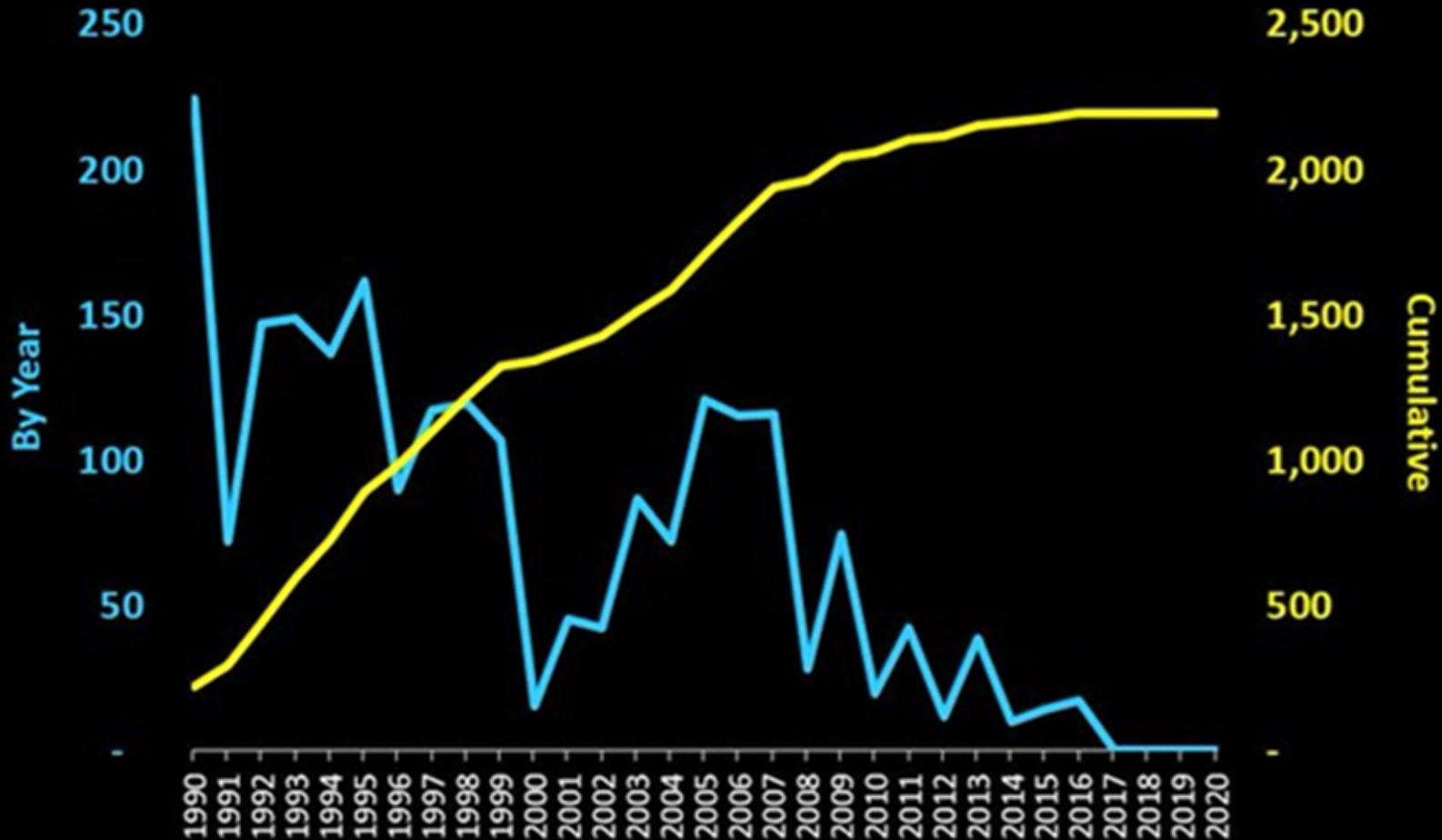


Today, while gold is currently near its 2011 highs, aggregate capital spending for the miners remains at historically depressed levels.

This goes to show again how management teams are excessively conservative despite a firming gold market.

Gold Discoveries

>2M Ounces (Millions of Troy Ounces)



Source: S&P Global Market Intelligence

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Contributing to the supply shortage, the number of major new gold discoveries by year, i.e., greater than 2 million Troy ounces, has been in a declining secular trend for 30 years including the cyclical boost between 2000 and 2007.

Undergraduate Geoscience Enrollment

GLOBAL TRENDS

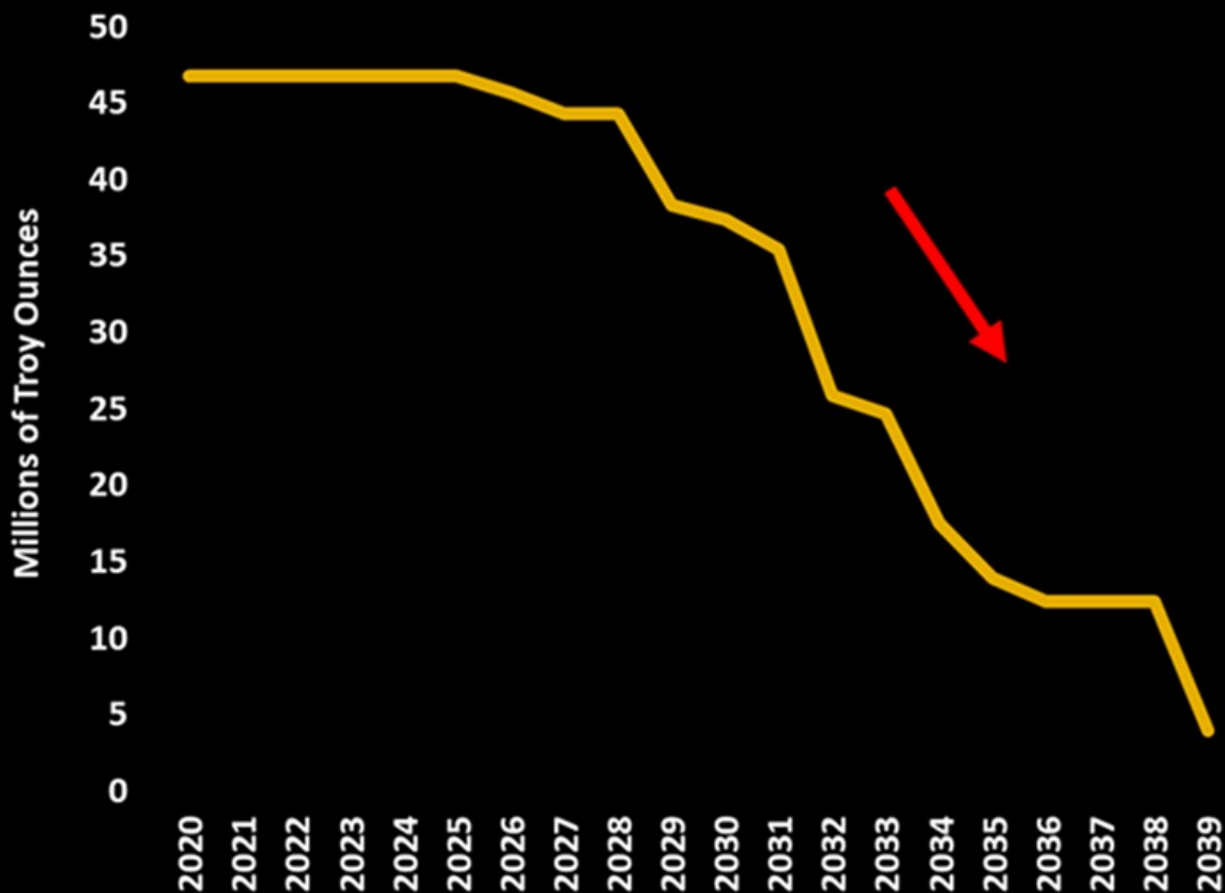


While demand continues to increase for the raw materials produced by these industries, companies are having difficulty filling jobs with qualified management and technical professionals to produce them efficiently.

A decade of declining college enrollment in geosciences worldwide is one of the long-term structural imbalances affecting the oil and gas and mining industries.

Gold Supply Cliff

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



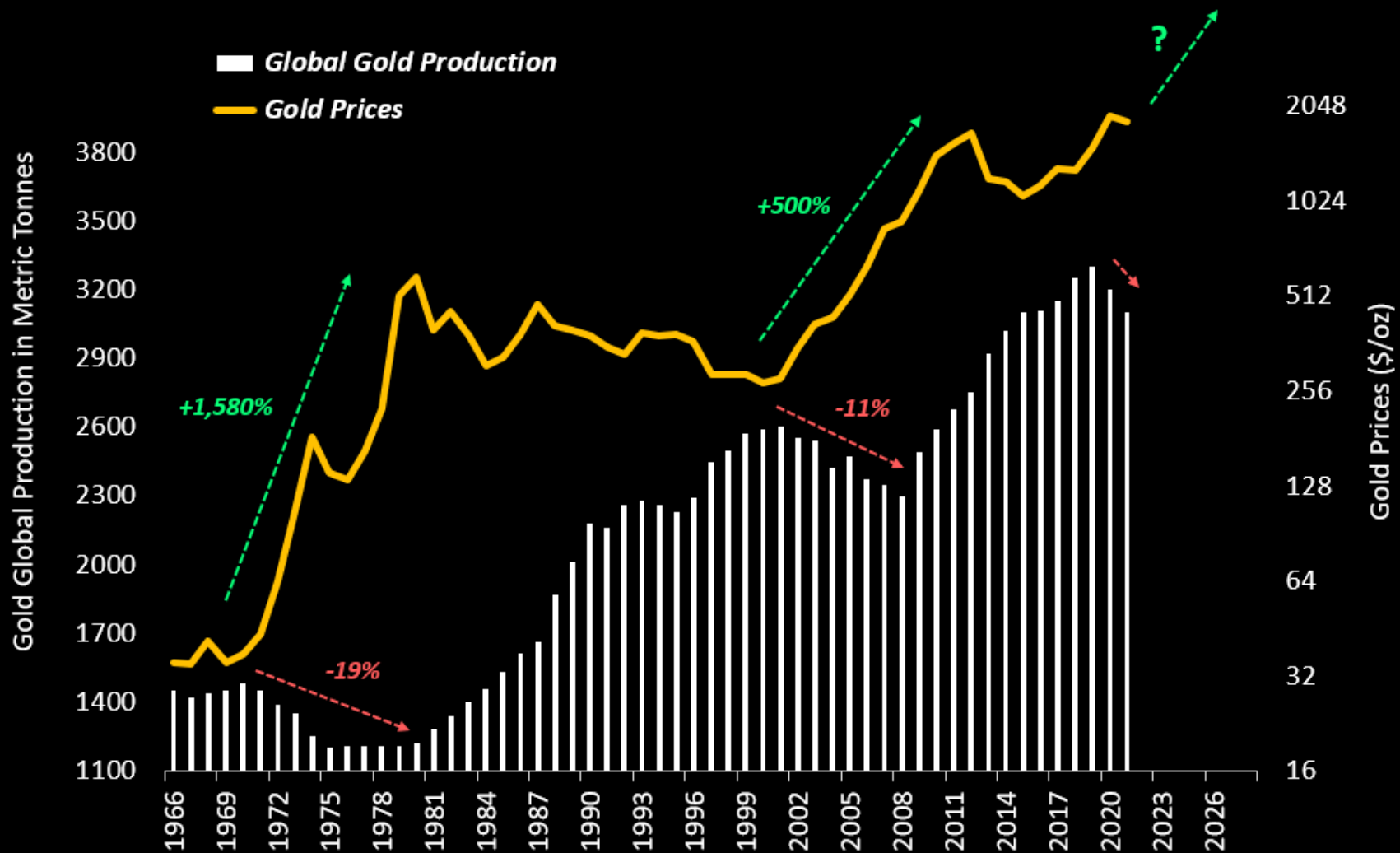
Source: S&P Global Market Intelligence

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Major miners are now facing a gold supply cliff due to a chronic period of under investments in the industry.

Global Gold Production vs. Gold Prices



Source: USGS

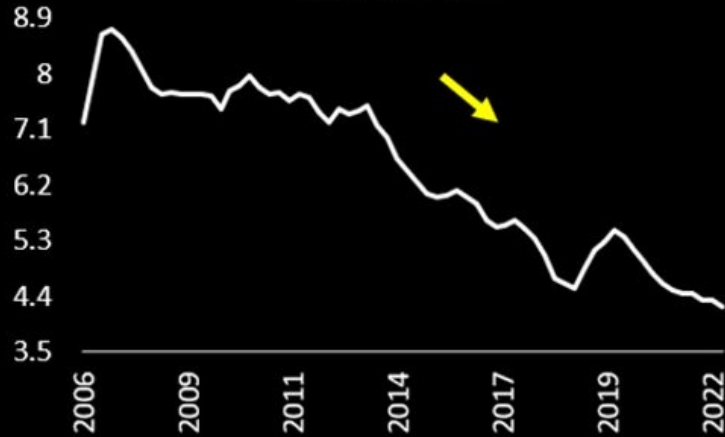
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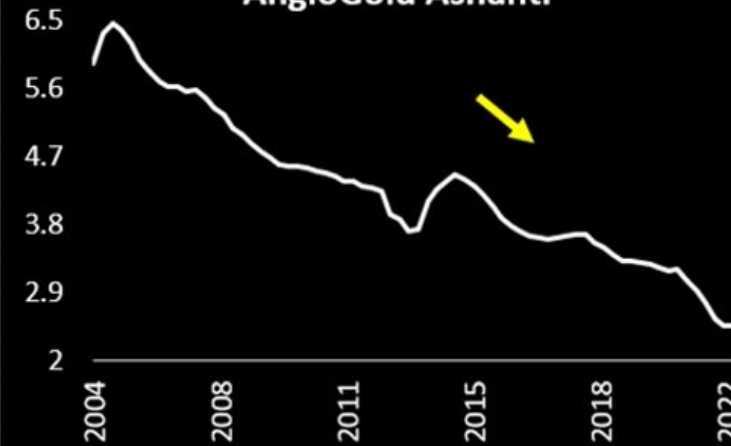
The scarce metal is supplanting US Treasuries as the preferred allocation among global central banks looking to improve the quality of their international reserves.

Gold Production: TTM in Millions of Ounces

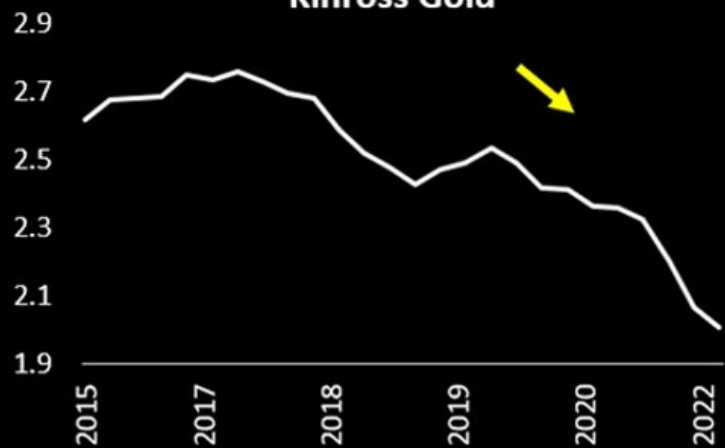
Barrick Gold



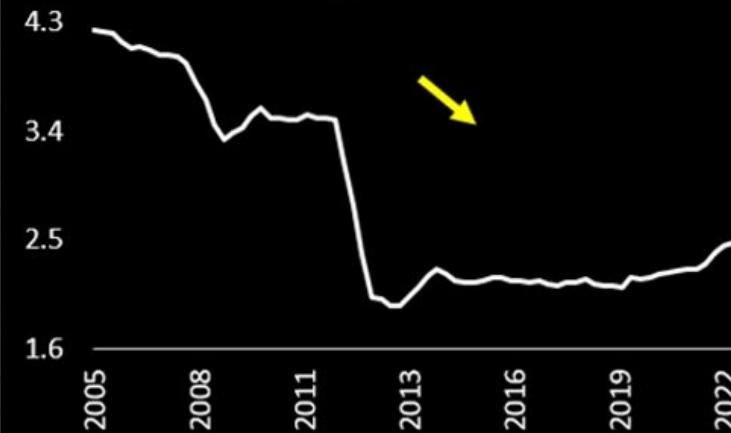
AngloGold Ashanti



Kinross Gold



Gold Fields



Source: Bloomberg, Tavi Costa

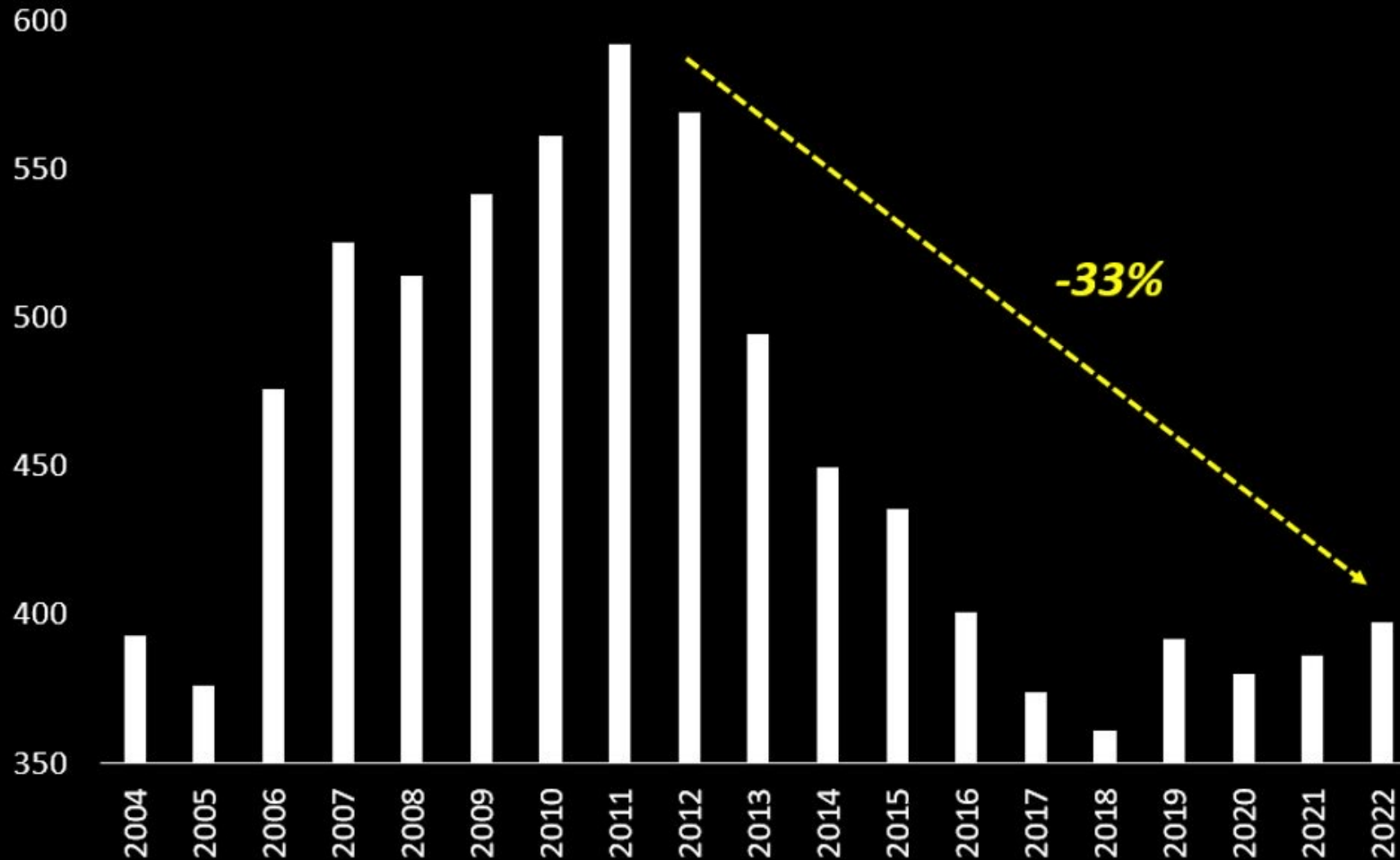
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Many traditionally gold-focused miners have significantly shrunk their production while increasing investment in other metals.

Gold Reserves by the Top 10 Miners

Millions of Ounces



Source: Bloomberg; Tavi Costa

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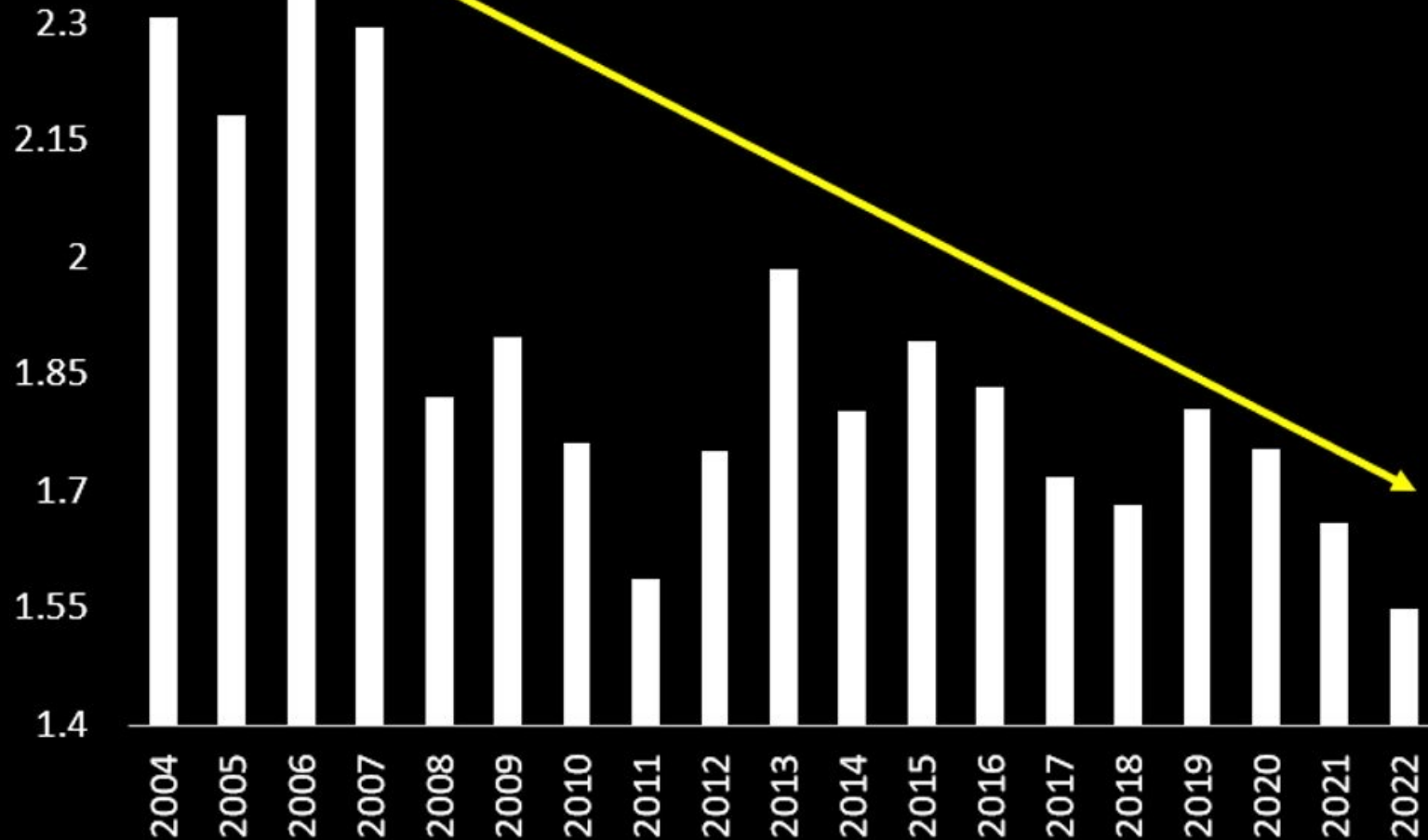
It is becoming increasingly challenging to find precious metals. As a result, the reserves of the top 10 mining companies are down 33% over the last 15 years.

We have not seen a new precious metals project become a significant producing mine in a very long time.

Crescat Macro Presentation

Top 10 Gold Miners: Average Grade for Existing Gold Reserves

Gold Equivalent g/t



Source: Bloomberg

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Not only do mining companies continue to deplete their existing reserves, but the quality of their remaining assets is drastically deteriorating.

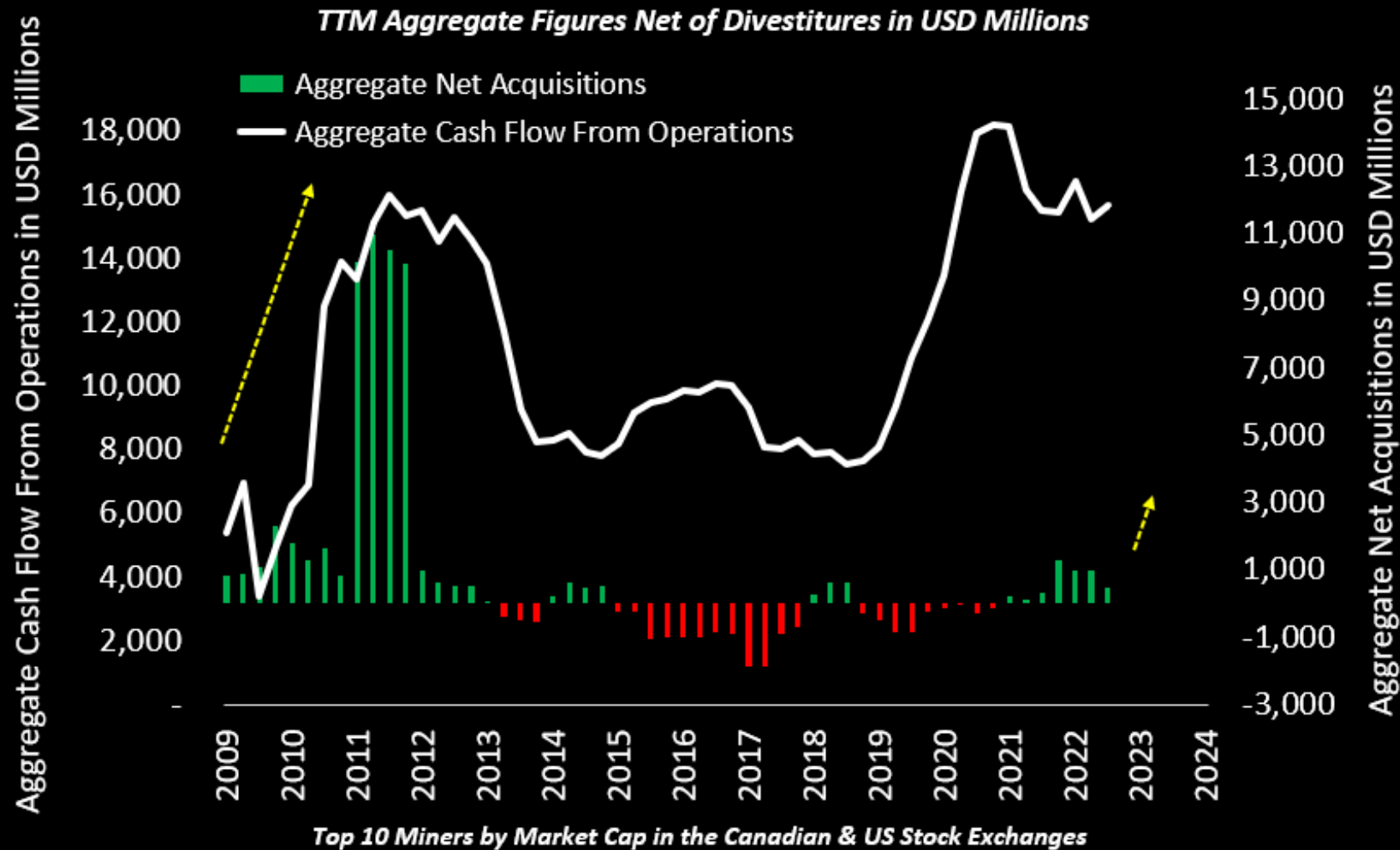
The average grade for gold reserves by the top 10 miners in the world has been in a secular decline.

Gold Prices vs. Mining Revenues



The large and mid-tier mining companies have underinvested in exploration as well as M&A, so both the quantity and quality of their reserves have deteriorated over the last decade.

Gold & Silver Miners: Net Acquisitions vs. Cash Flows



Source: Bloomberg; Tavi Costa

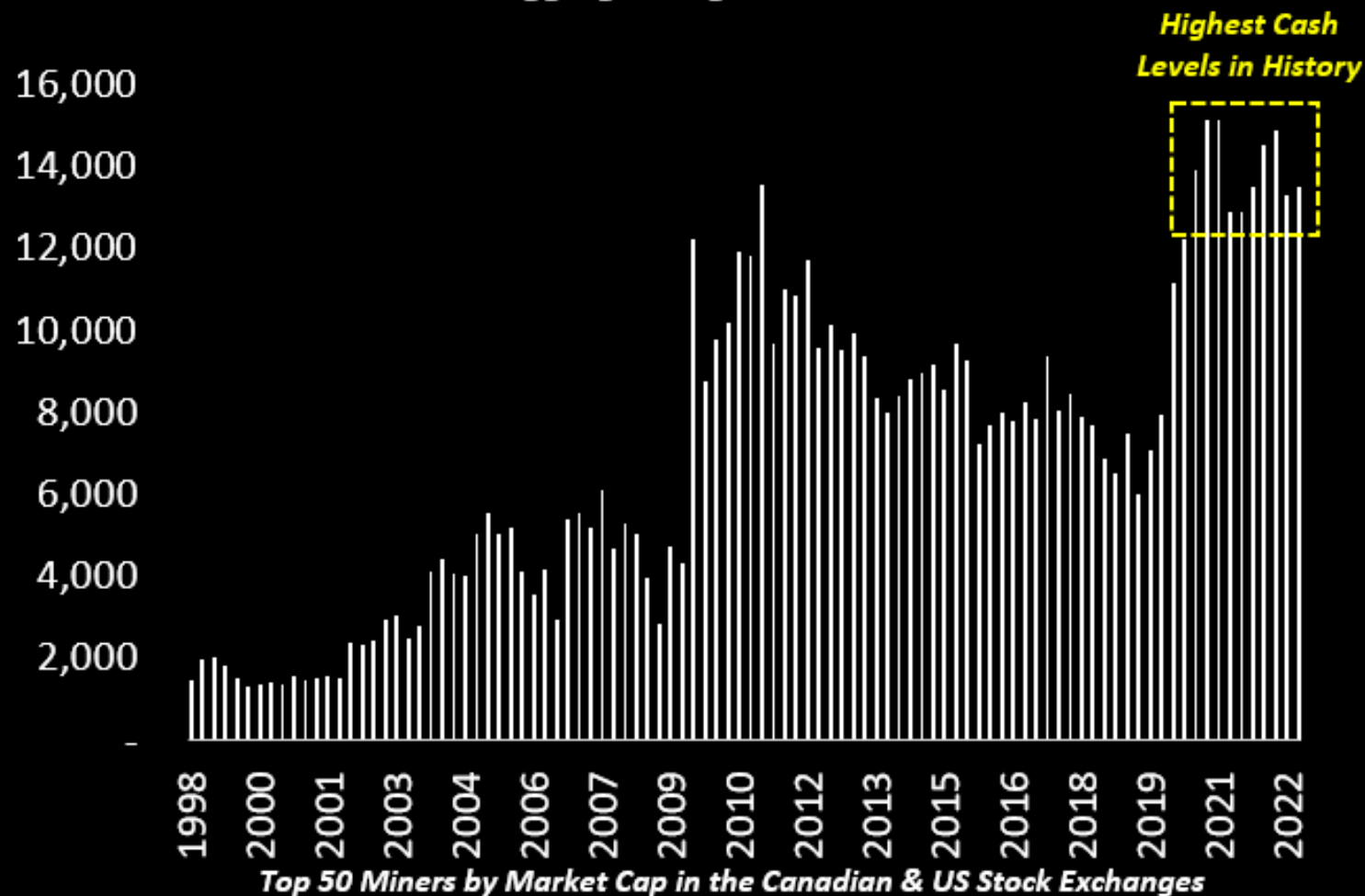
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It is important to note how miners continue to generate near-record levels of cash flows today.

Gold & Silver Miners: Cash Levels

TTM Aggregate Figures in USD Millions



Source: Bloomberg

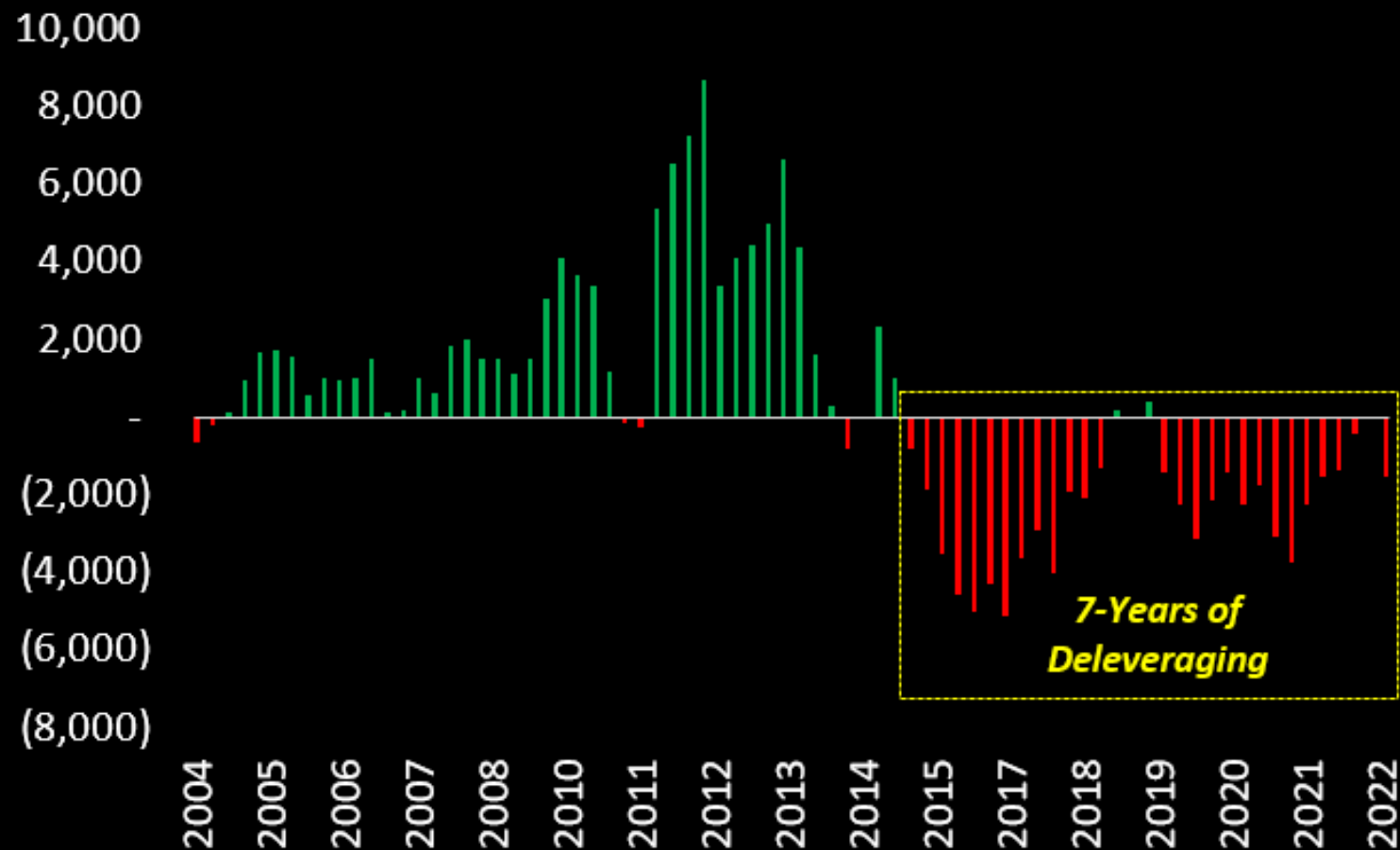
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The strength of the balance sheets of mining companies is an important factor that tends to precede healthy M&A cycles. As shown in the chart below, the largest gold and silver companies have the highest cash levels that we have seen in decades.

Gold & Silver Miners: Debt Deductions

TTM Net Debt Repayments in USD Millions



Top 10 Miners by Market Cap in the Canadian & US Stock Exchanges

Source: Bloomberg

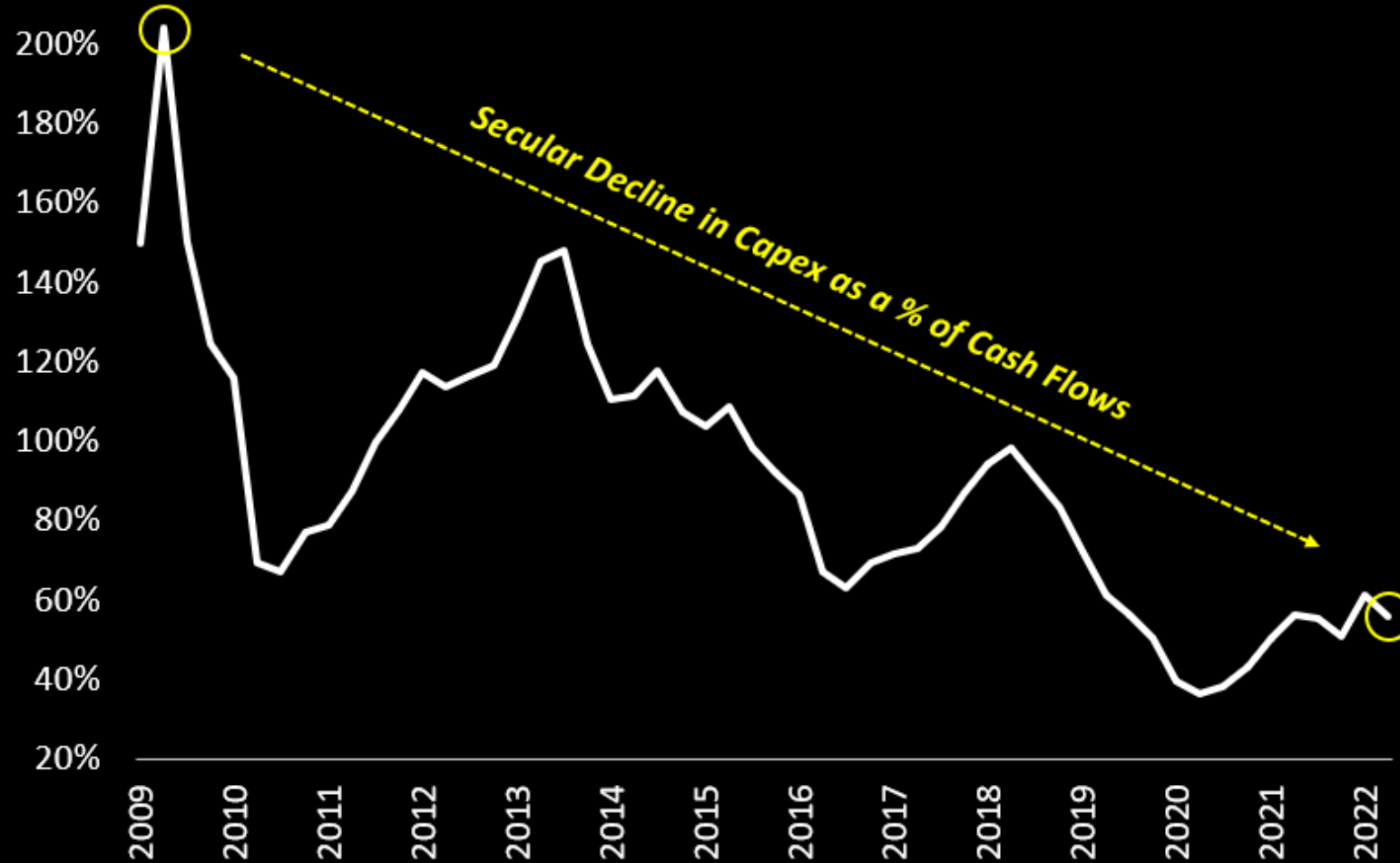
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Precious metals mining companies just went through a long deleveraging process.

In other words, the industry had seven years of continuous debt repayment, net of new issuances. This is a very healthy development for miners overall.

Gold & Silver Miners: Capex as a % of Cash Flows



Top 10 Miners by Market Cap in the Canadian & US Stock Exchanges

Source: Bloomberg; Tavi Costa

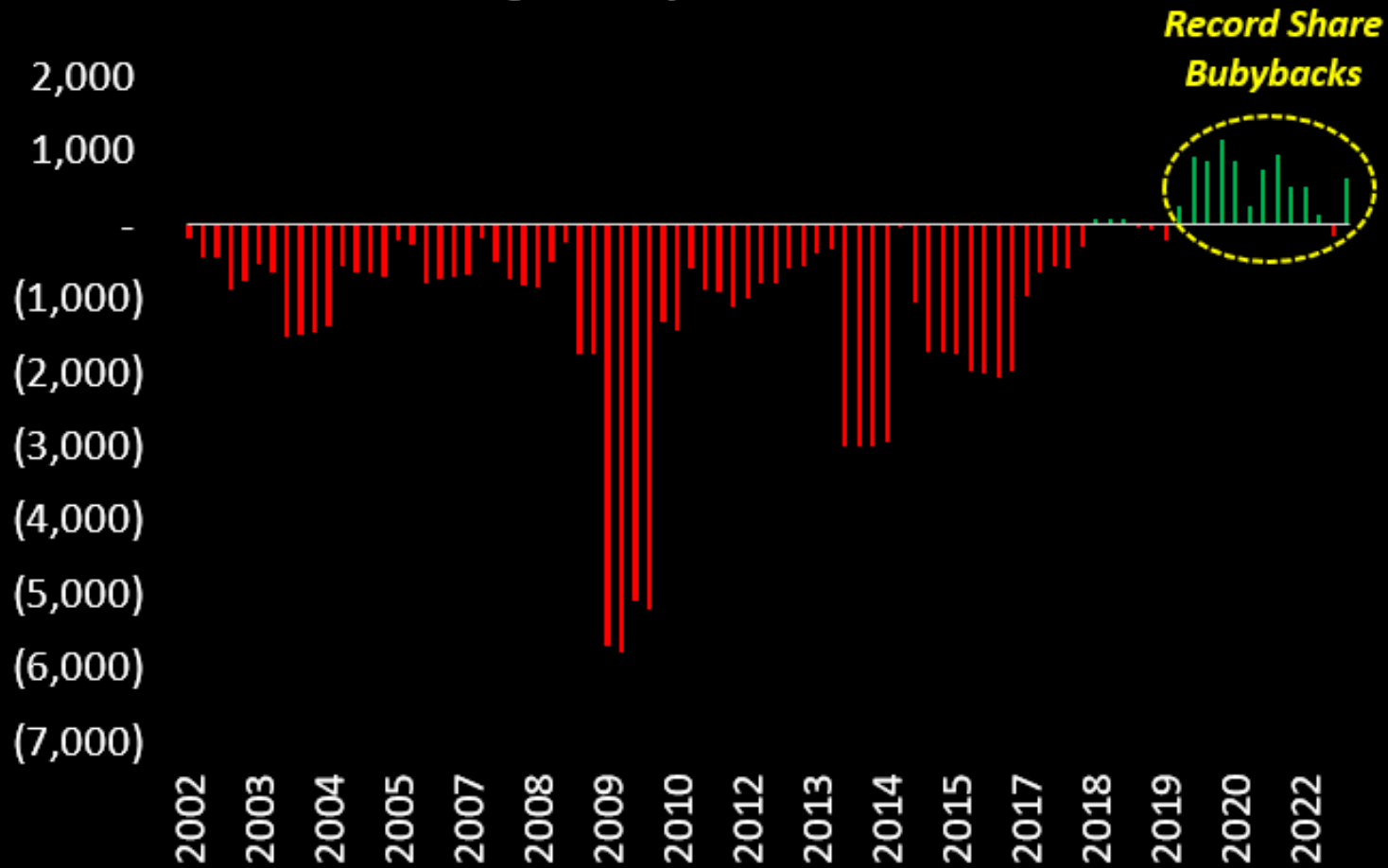
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These stocks can still be acquired in the market today for cheap ahead of a new gold bull market.

Gold & Silver Miners: Share Buybacks

TTM Figures Net of Issuances in USD Billions



Top 10 Miners by Market Cap in the Canadian & US Stock Exchanges

Source: Bloomberg

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These companies are going above and beyond to attract investors with accounting conservatism rather than investing for growth.

Newmont Mining: Dividend Yield (%)



Source: Bloomberg

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Newmont has increased its dividend in six of the last nine quarters and the stock now has the highest yield in 40 years.

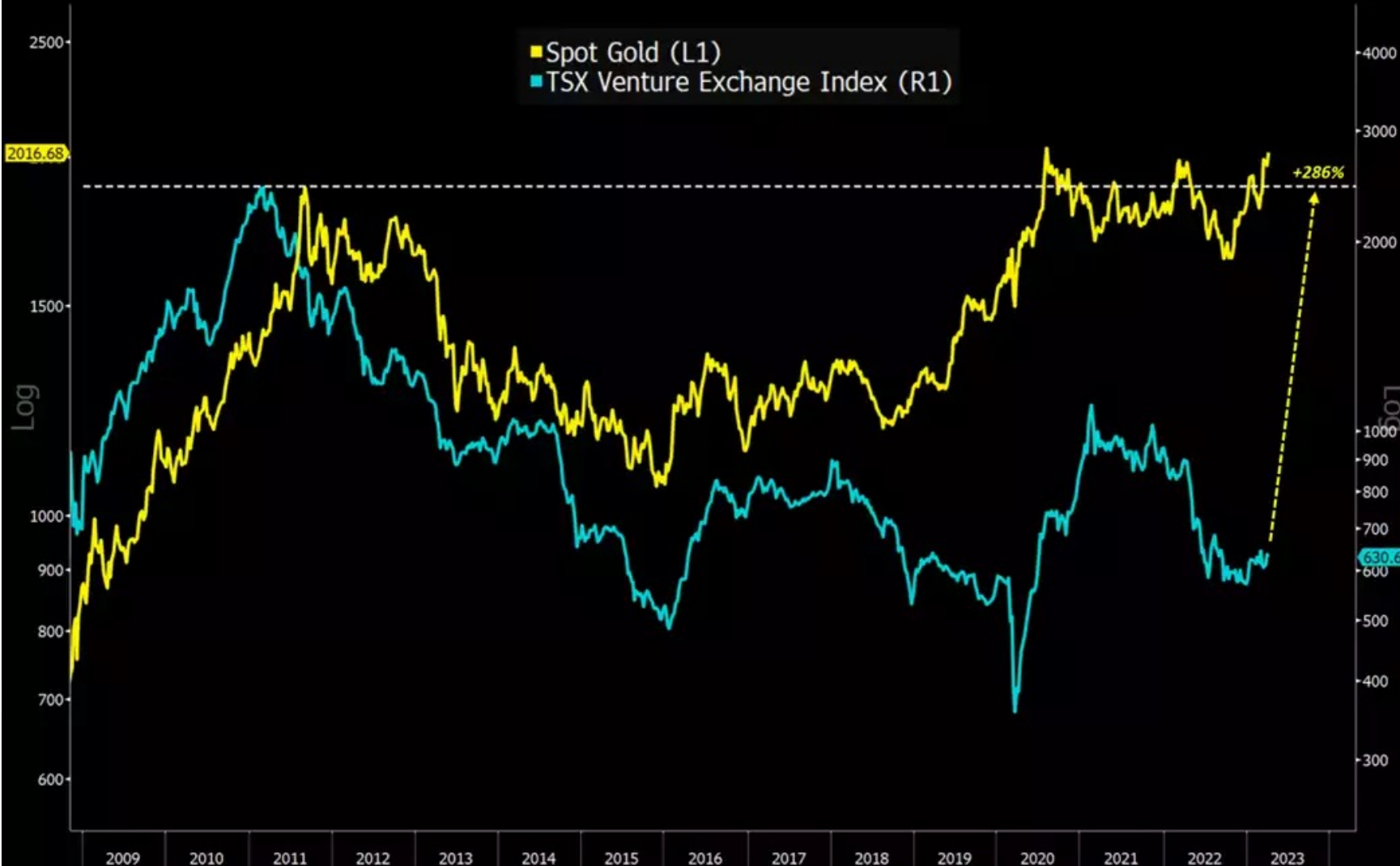
Gold vs. Miners



Precious metals mining is one of the most fundamentally attractive industry groups in the market today. Interestingly, the gold price is almost back to its 2011 monthly highs.

If that is the playbook for the miners, there is 85% upside from here.

TSX Venture Index Undervalued to Gold



Source: Bloomberg, Kevin Smith

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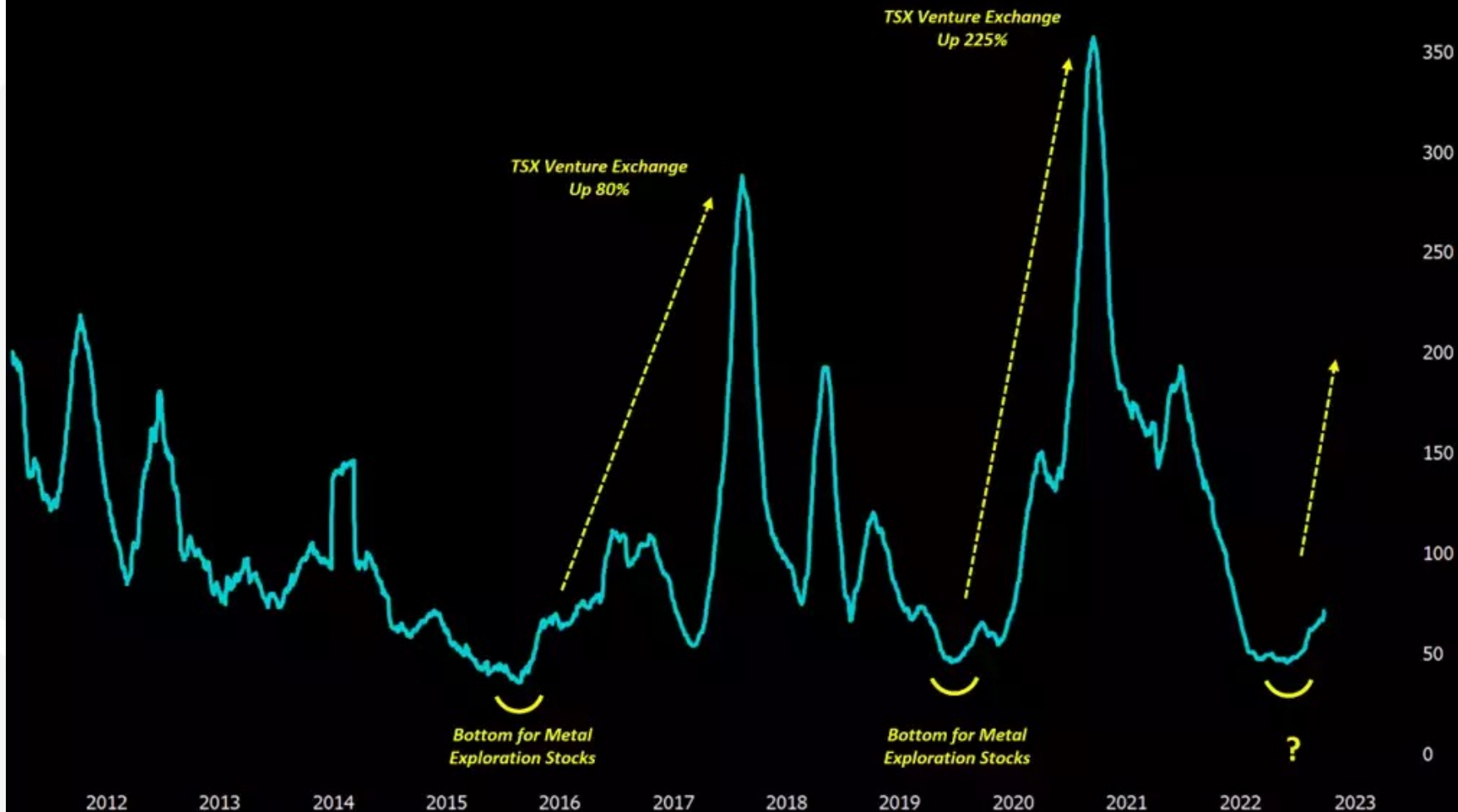


If gold is indeed on the verge of a major breakout, as we believe it is, some of the most rewarding value and growth investments to compound real wealth are likely to be found among the metals exploration companies that own the world's critical new discoveries.

Crescat Macro Presentation

TSX Venture Exchange Dollar Trading Volume

50-Day Average Value Traded in CAD Millions



Source: Bloomberg, Kevin Smith

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When big money flows into this tiny segment of the market comprised of small and micro market cap stocks, note how it tends to correspond with outsized price appreciation. We are confident that there is an enormous value-oriented and macro growth window that is wide open now.

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Silver to Money Supply Ratio

Calculation: $\text{Silver} / \text{M2 Money Supply}$



Source: Bloomberg

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When looking at the silver relative to M2 money supply, it may have recently just reached a historic double-bottom after re-testing the early 2000s levels, which preceded a major upward move in silver prices.

Crescat Macro Presentation

Silver vs. Commodities



Source: Bloomberg

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Silver has significantly lagged behind other commodities since 2020.

We believe the metal is poised for a major catch-up.

After two years of frustrating investors, silver looks ripe for an explosive and sustainable move to the upside.

Crescat Macro Presentation



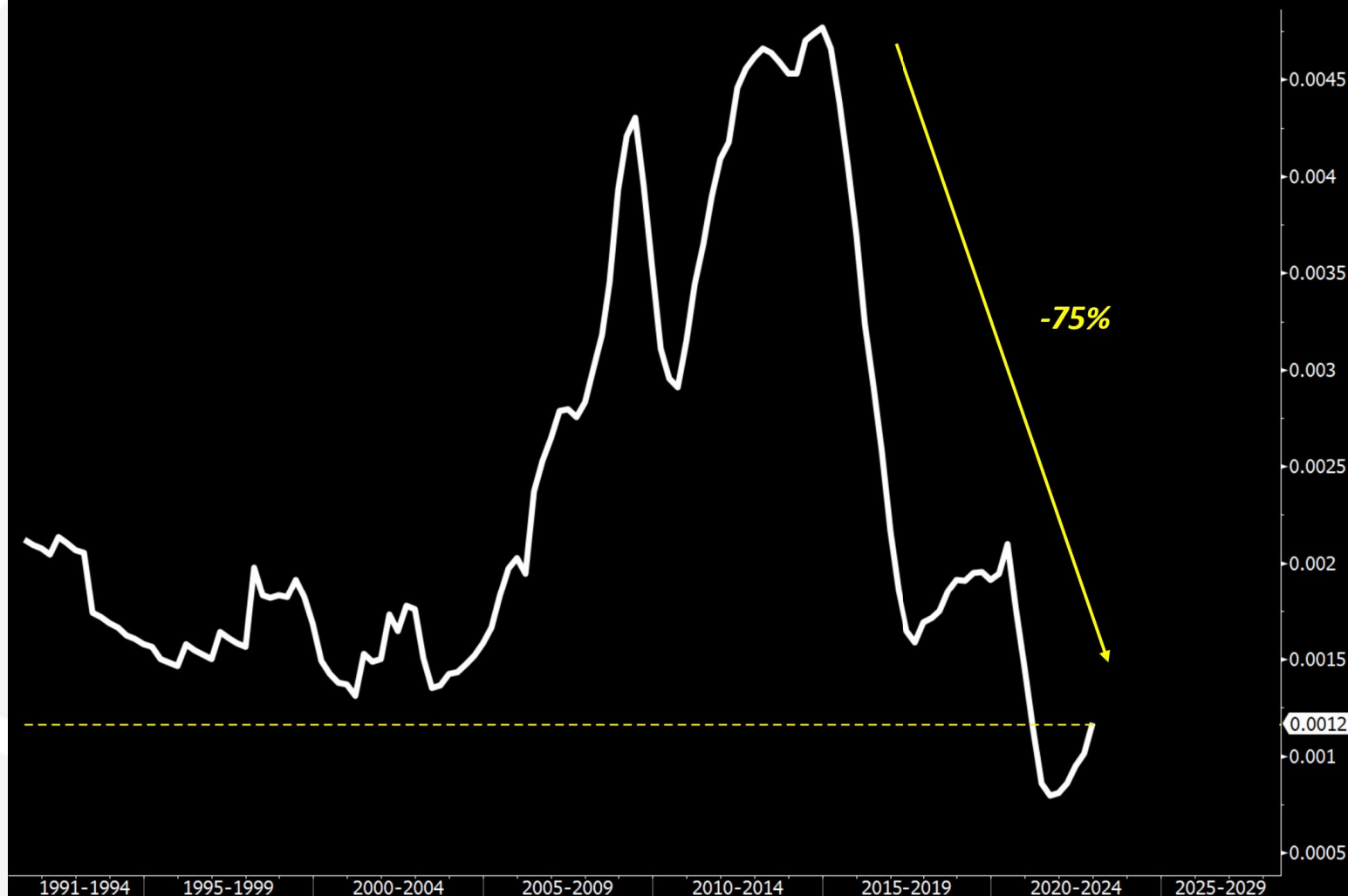
It's hard to find a better-looking chart than this one.

Time to get aggressive with gold, silver, and the miners.

ENERGY TRANSITION

Aggregate CAPEX for Energy Companies Adjusted for GDP

Universe: S&P 500 Energy Sector



Source: Bloomberg; Tavi Costa

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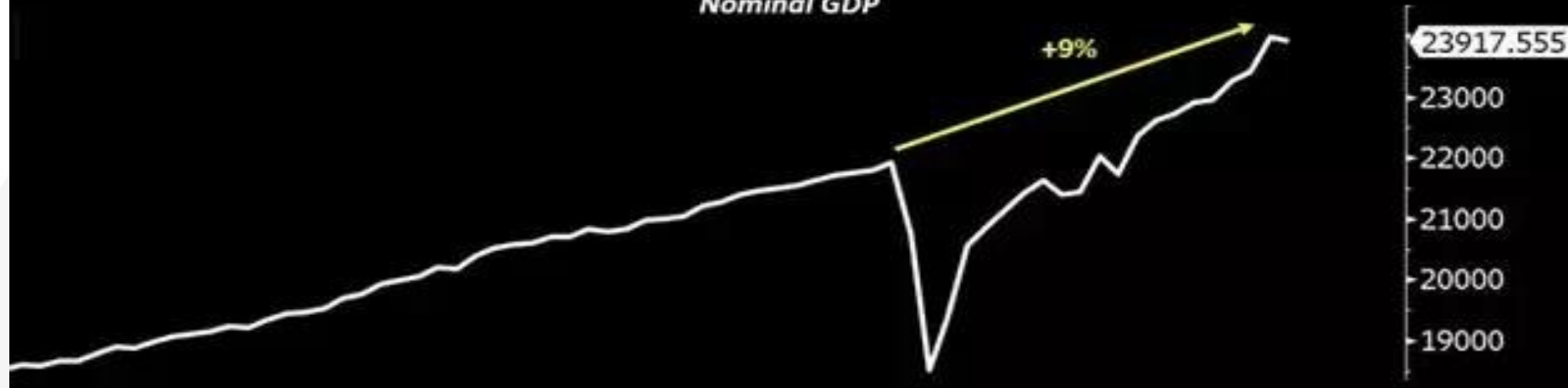
Aggregate CAPEX for energy companies adjusted for GDP levels is still below every other depressed level in the last 30-plus years.

Current levels are over 75% lower than the prior peak.

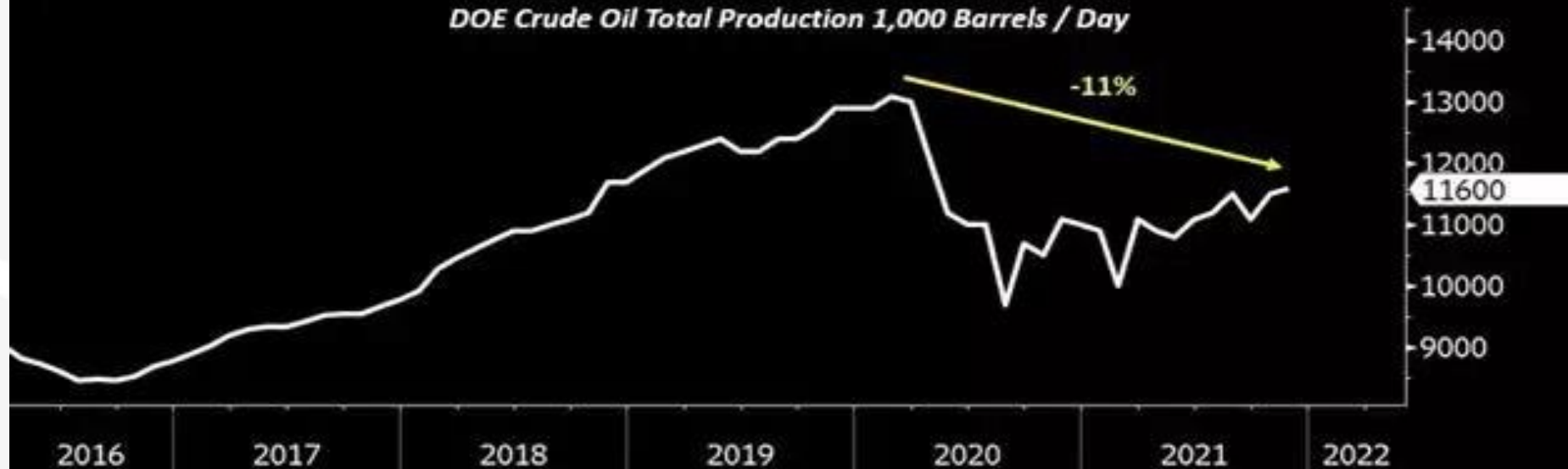
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US GDP vs. Oil Production

Nominal GDP



DOE Crude Oil Total Production 1,000 Barrels / Day



Source: Bloomberg

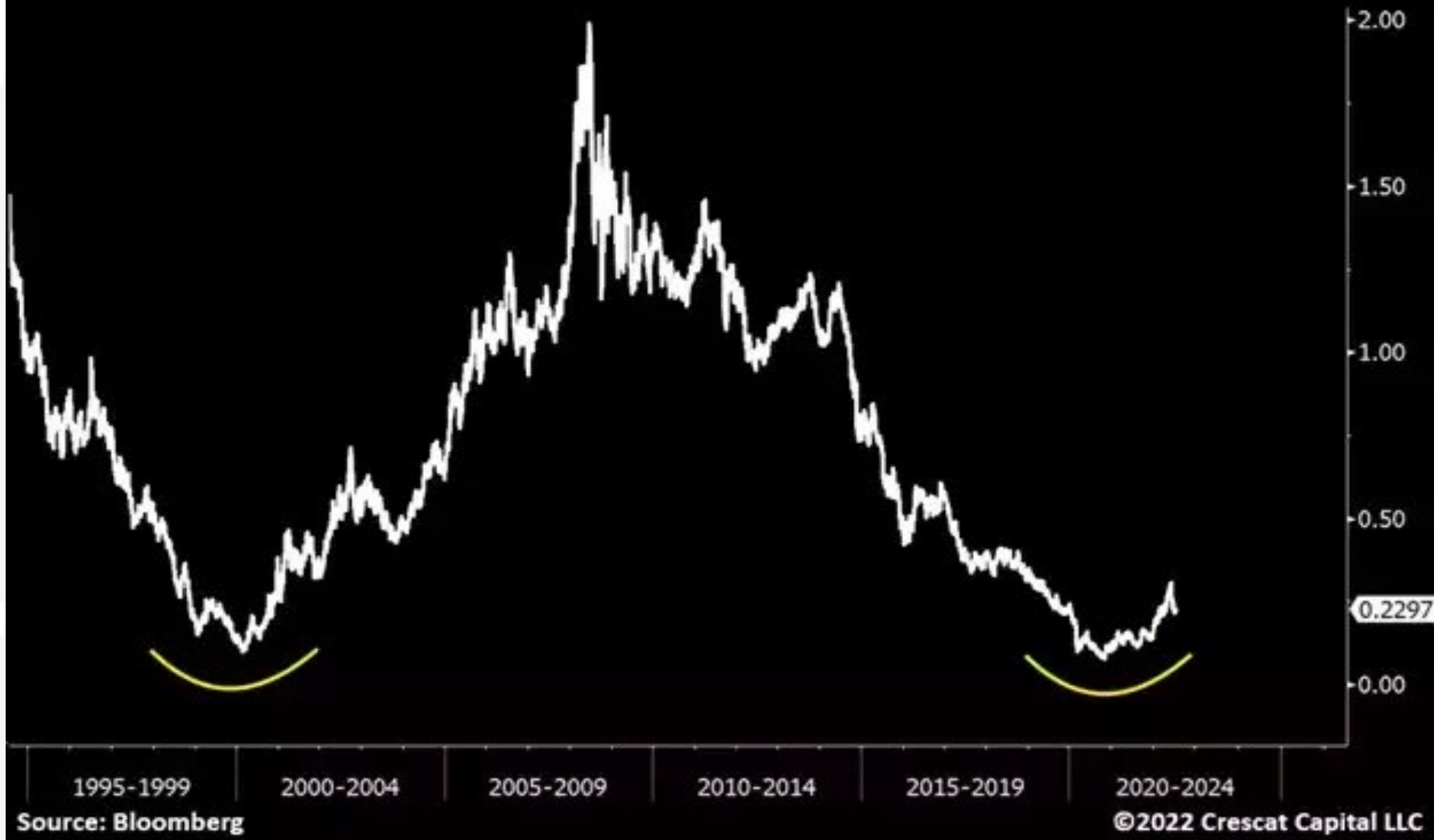
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Nominal GDP is well above its pre-pandemic levels while oil production remains significantly below.

Oil and Gas E&Ps-to-Tech Stocks Ratio

S&P 500 Oil & Gas Exploration and Production / S&P 500 Information Technology Sector

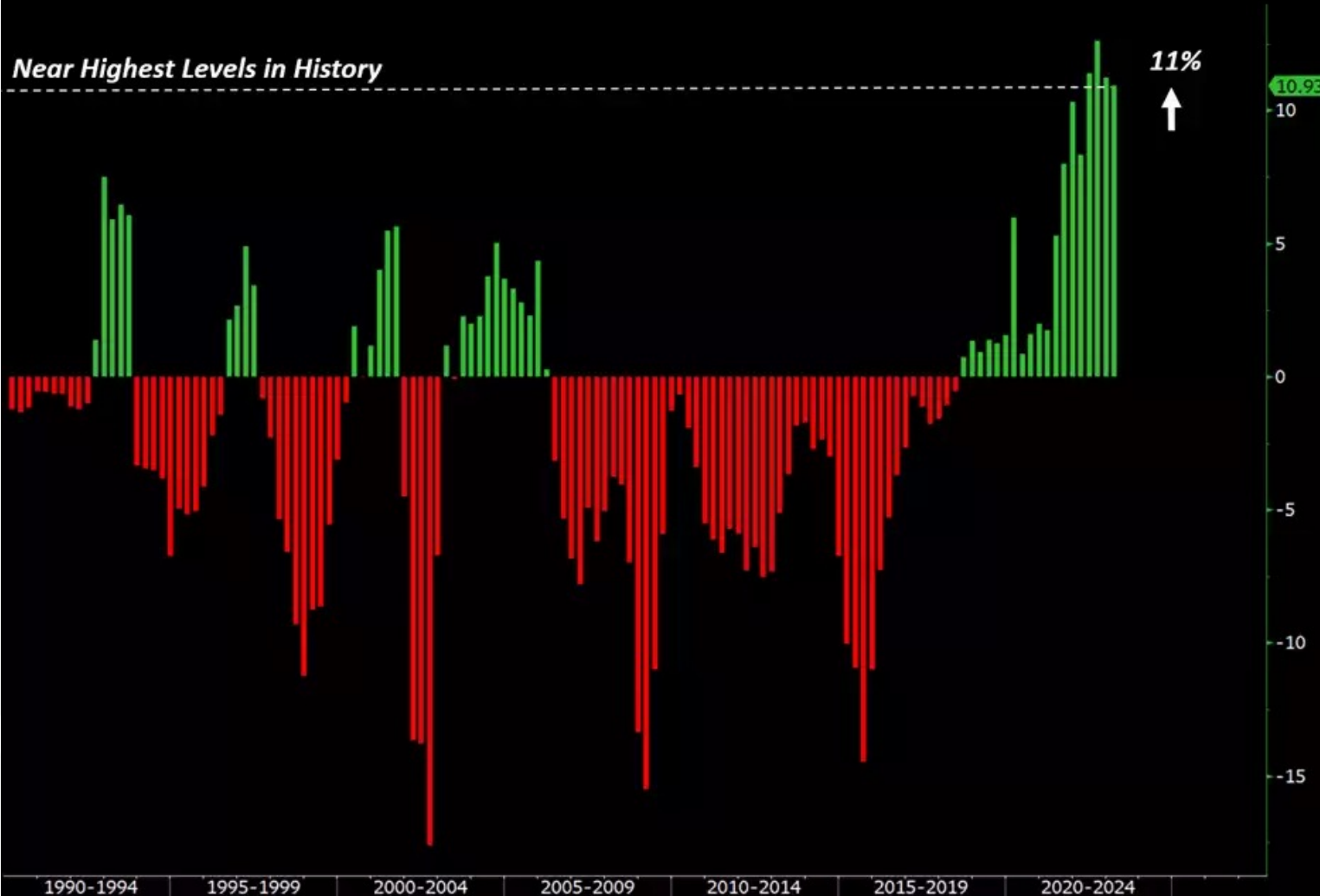


The energy-to-tech stock's ratio is as low as it was at the peak of the tech bubble.

Energy Exploration & Production Stocks: Free-Cash-Flow Yield

S&P 500 Oil and Gas Exploration and Production Index: Aggregate Free-Cash-Flow Yield (%)

Near Highest Levels in History



Source: Bloomberg; Tavi Costa

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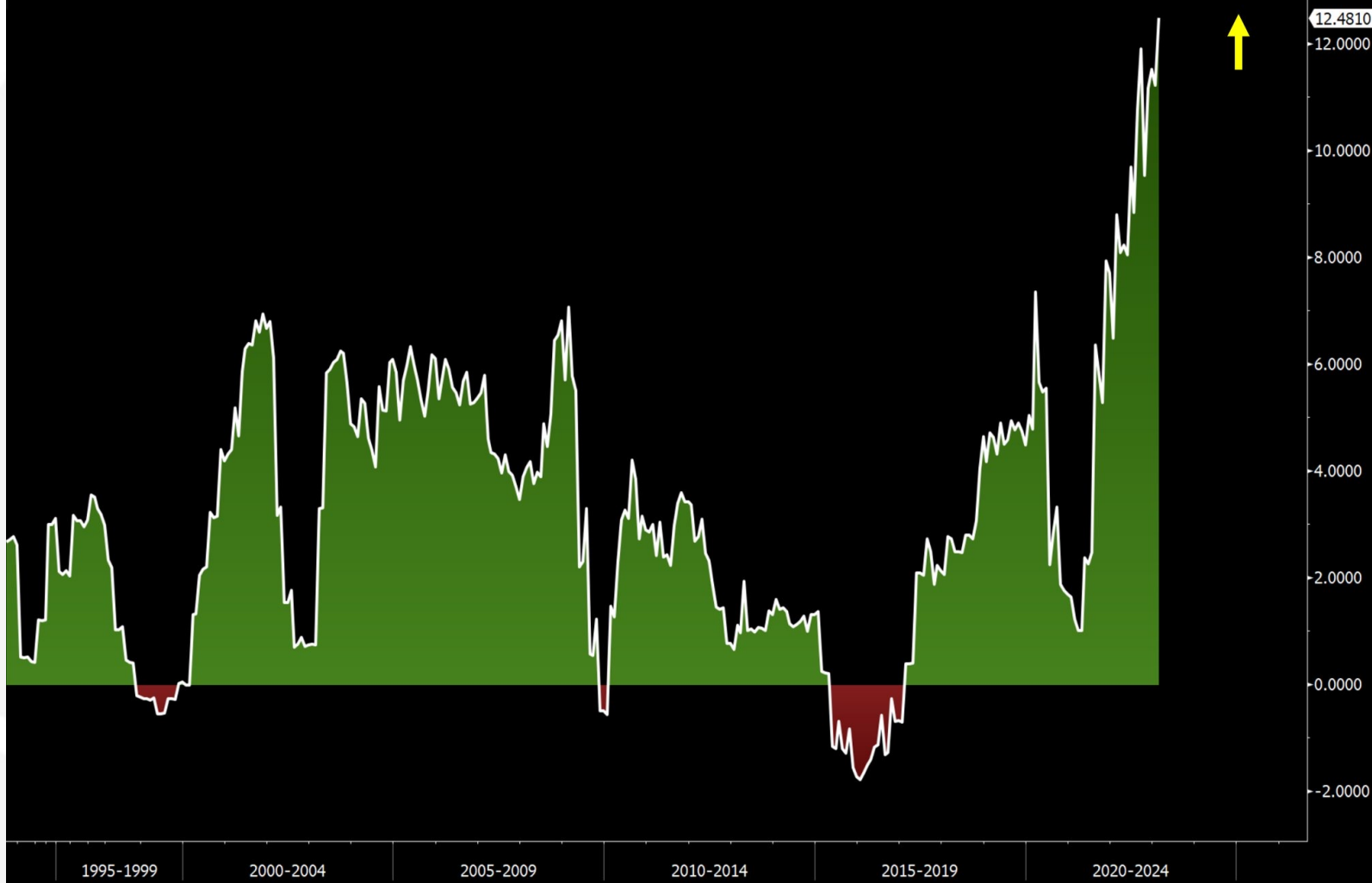


Oil and gas stocks just had their two best annual performances in 30 plus years, and the sector still trades at one of the cheapest levels in history. Aggregate free-cash-flow yield for energy exploration and production companies is now at 11%.

Crescat Macro Presentation

Energy Stocks: Free-Cash-Flow Yield

S&P 500 Energy Sector: Aggregate Free-Cash-Flow Yield



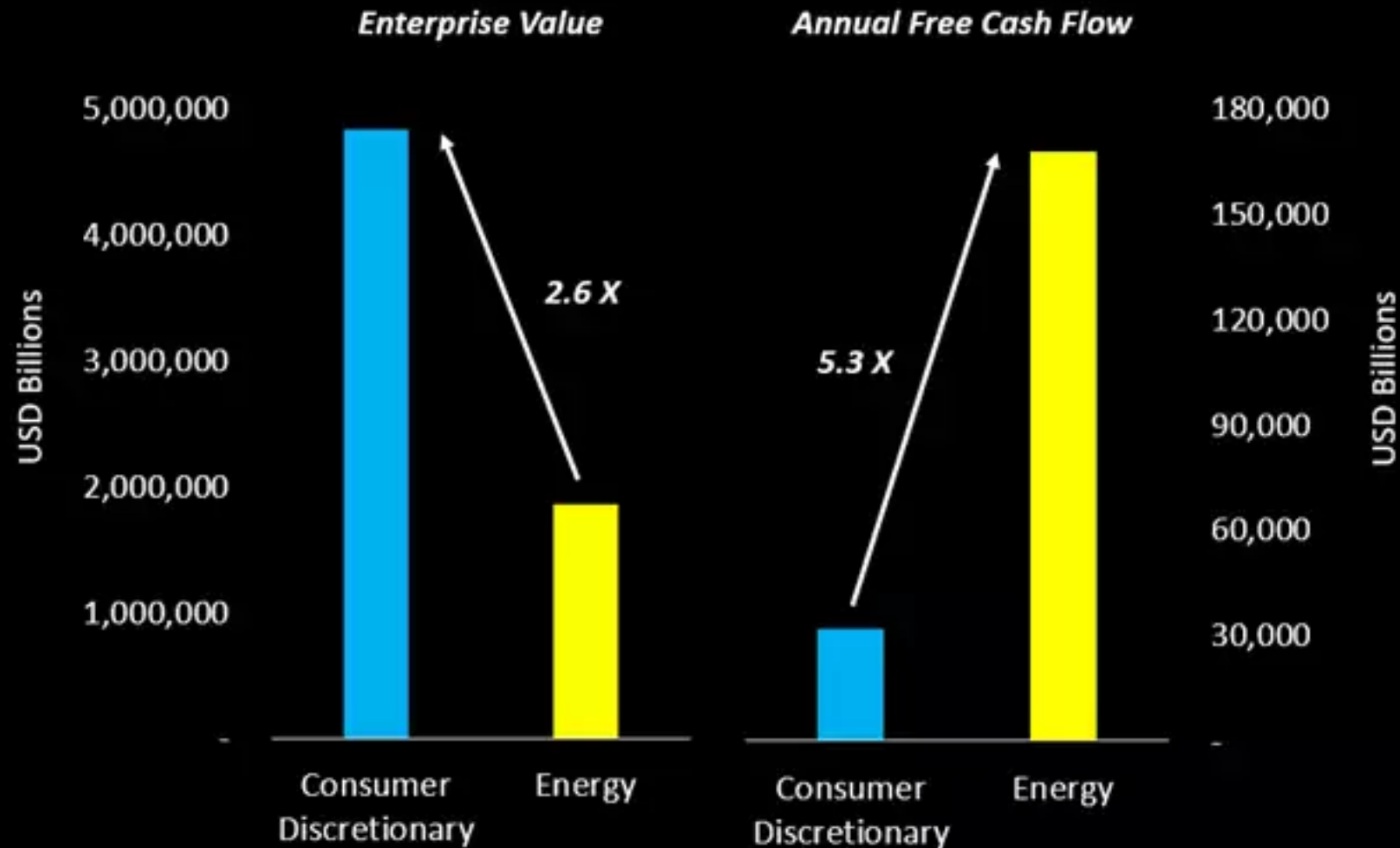
Source: Bloomberg; Tavi Costa

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If energy prices strengthen, as we envision due to structural shortages and ongoing demand, these companies are even more of a bargain.

S&P 500: Energy vs. Consumer Discretionary



Source: Bloomberg

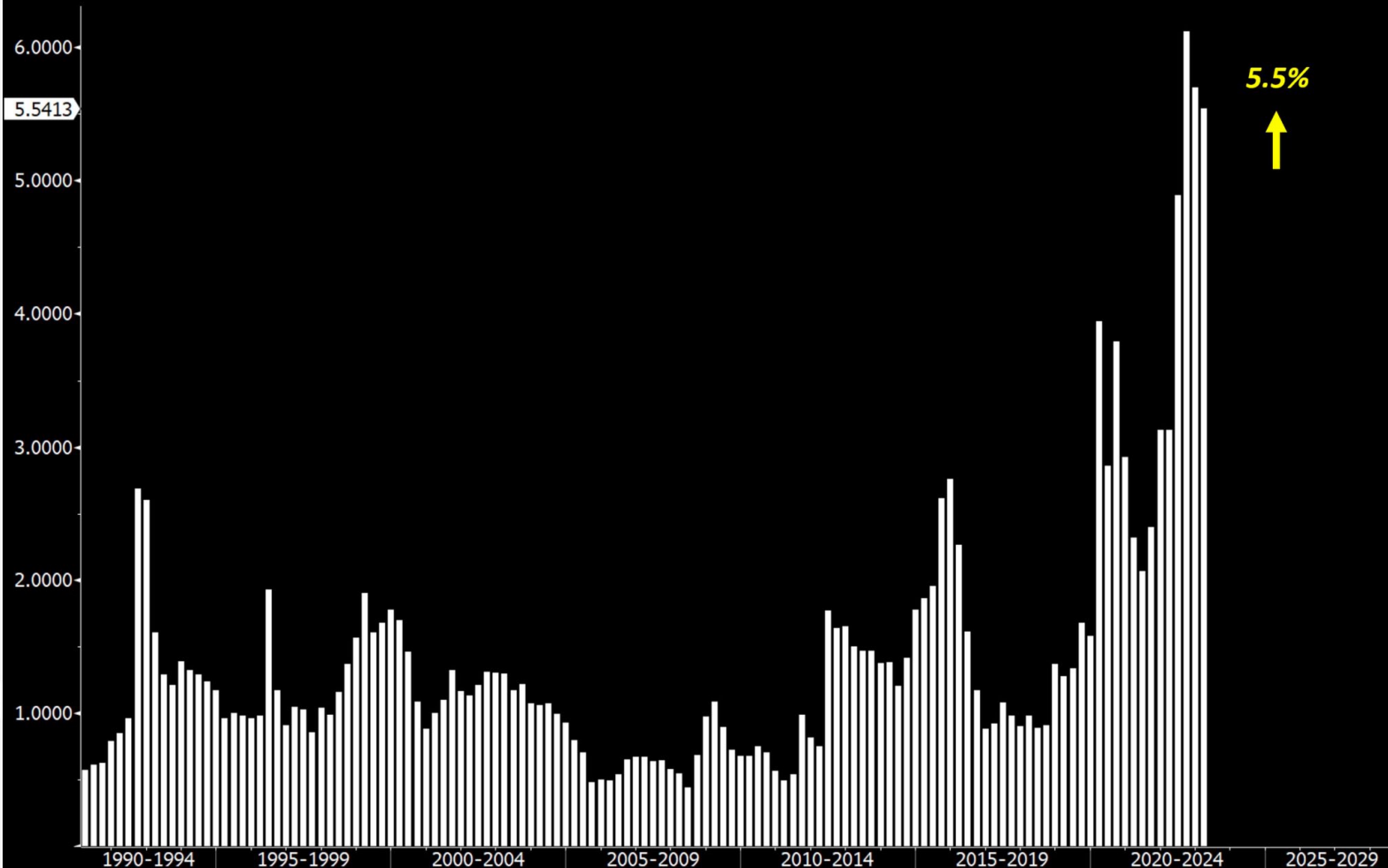
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Unsurprisingly, today's consumer discretionary sector is now worth 2.6 times the size of the energy sector, while the latter generates over 5 times more in free cash flow.

Energy Exploration & Production Stocks: Dividend Yield

S&P 500 Oil and Gas Exploration and Production Index: Aggregate Dividend Yield (%)



Source: Bloomberg; Tavi Costa

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Oil and gas exploration & production companies are by far paying their highest dividend yield in history of the data.

WTI Oil Prices

Quarterly Candles



Source: Bloomberg; Tavi Costa

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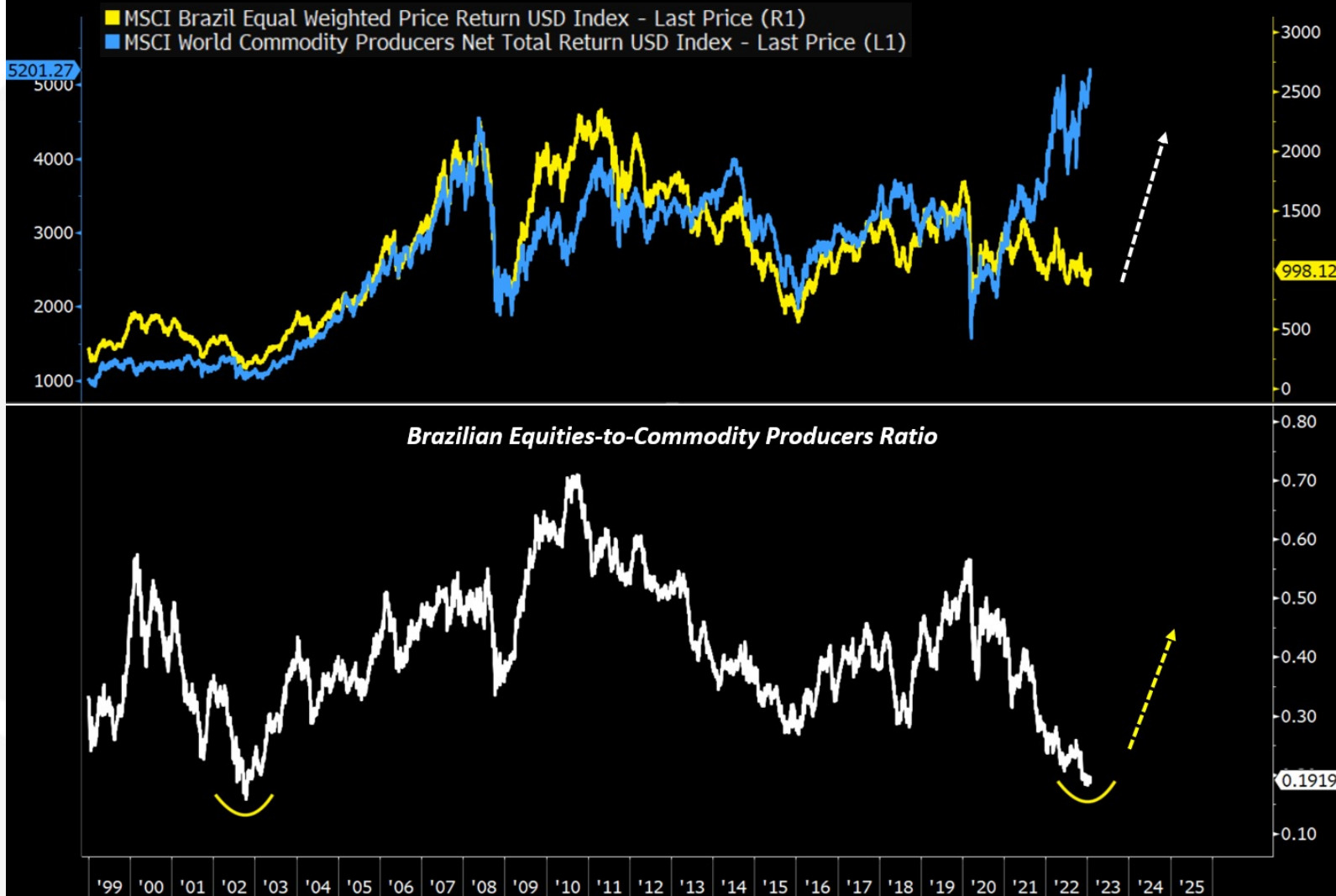
What if oil has another big move, inflation re-accelerates, and interest rates need to stay higher for longer? Equity markets would not appreciate this.



CRESCAT CAPITAL®
THE VALUE OF GLOBAL MACRO INVESTING

BRAZIL LIFTOFF

Brazilian Equities vs. Commodity Producers



Source: Bloomberg; Tavi Costa

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Brazilian equities are historically cheap even relative to global commodity producers.

The last time we saw such undervalued prices was in the early 2000s, when Brazilian stocks entered a bull market.

Brazilian-to-US Equities Ratio

Total Return: Ibovespa Index / S&P 500 Index



Source: Bloomberg; Tavi Costa

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Brazilian equities are also historically undervalued relative to US stocks.

Crescat Macro Presentation

Brazilian Stocks vs. The Rest of the World

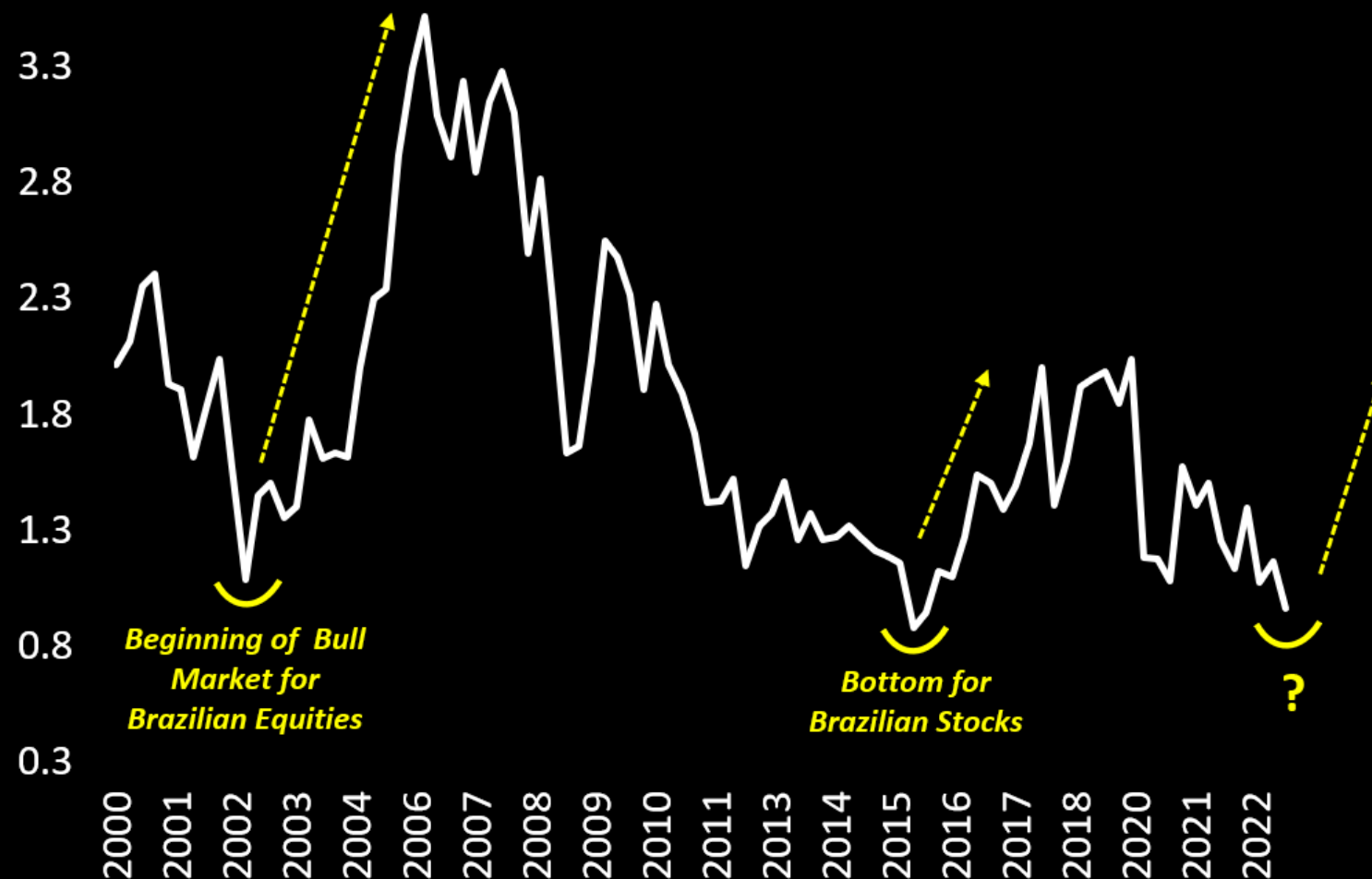
Performance in 2022 - All Indices in USD Terms



Brazilian stocks significantly outperformed other emerging markets and developed economies despite a challenging year.

A geopolitically neutral net exporter of commodities with a historically undervalued equity market.

Top 4 Brazilian Banks: Median Price to Book



Source: Bloomberg; Tavi Costa

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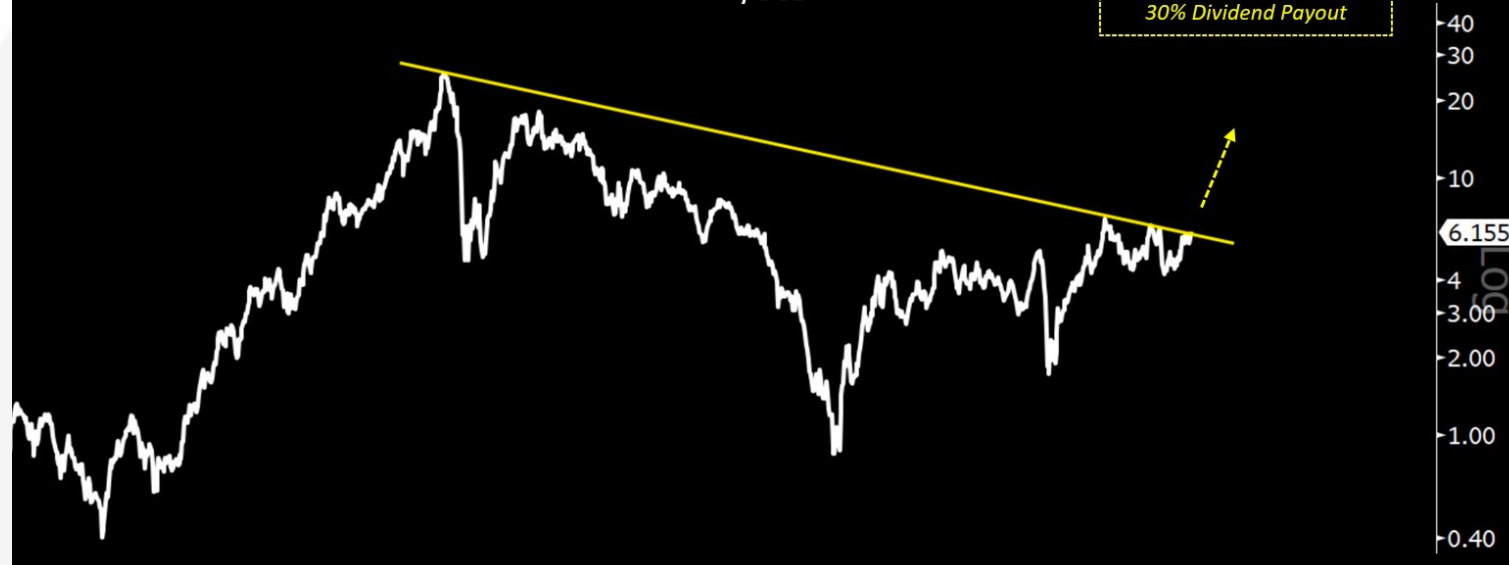
Brazilian banks are currently trading at one of lowest price-to-book levels in history.

Prior times when this industry was trading at such cheap multiples also marked great buying opportunities.

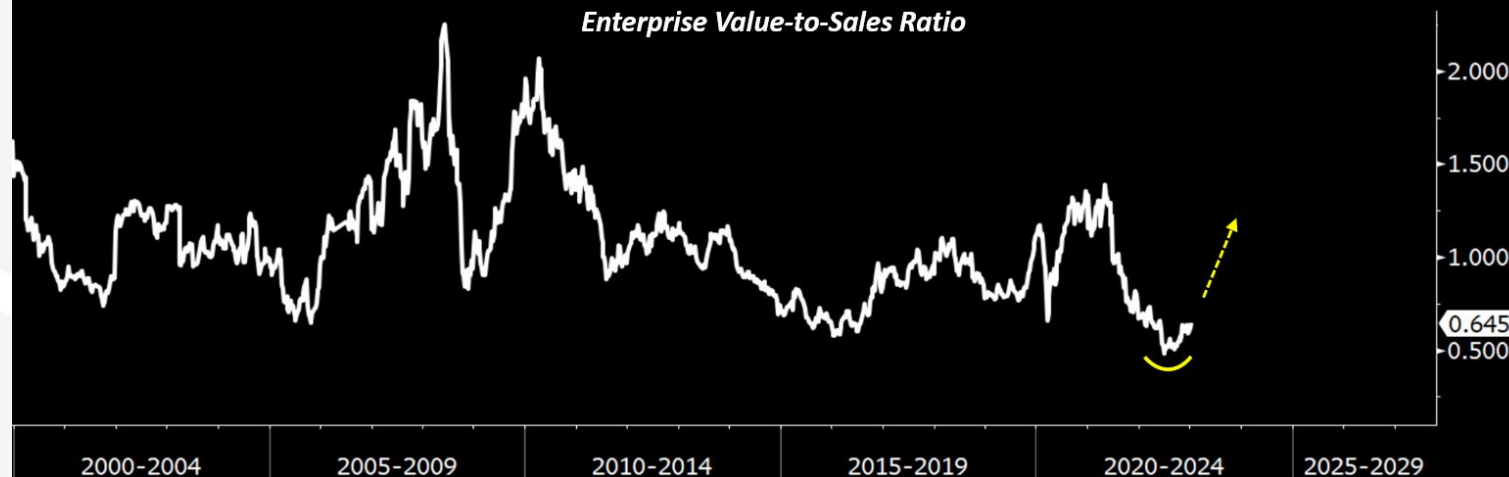
Gerdau SA

\$GGB

Historically Undervalued:
4x P/E Ratio
24% Free-Cash Flow Yield
30% Dividend Payout



Enterprise Value-to-Sales Ratio



Brazilian equities are
insanely cheap.
Here is one of the
largest steel producers
now on the brink of a
major breakout.
The stock is currently
trading at less than 4x
earnings with a 24% FCF
yield.
Not to mention, its
dividend policy is at a
30% payout.

Source: Bloomberg; Tavi Costa

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Brazilian vs. US Stocks Since the GFC



Note how Brazilian equities have massively underperformed US stocks since the Global Financial Crisis.

Brazilian vs. US Stocks: From the Tech Bust to the Peak of the Housing Bubble

Normalized As Of 10/01/2002
■ Ibovespa Index in USD 1855.92
■ S&P 500 Index 183.41



Source: Bloomberg

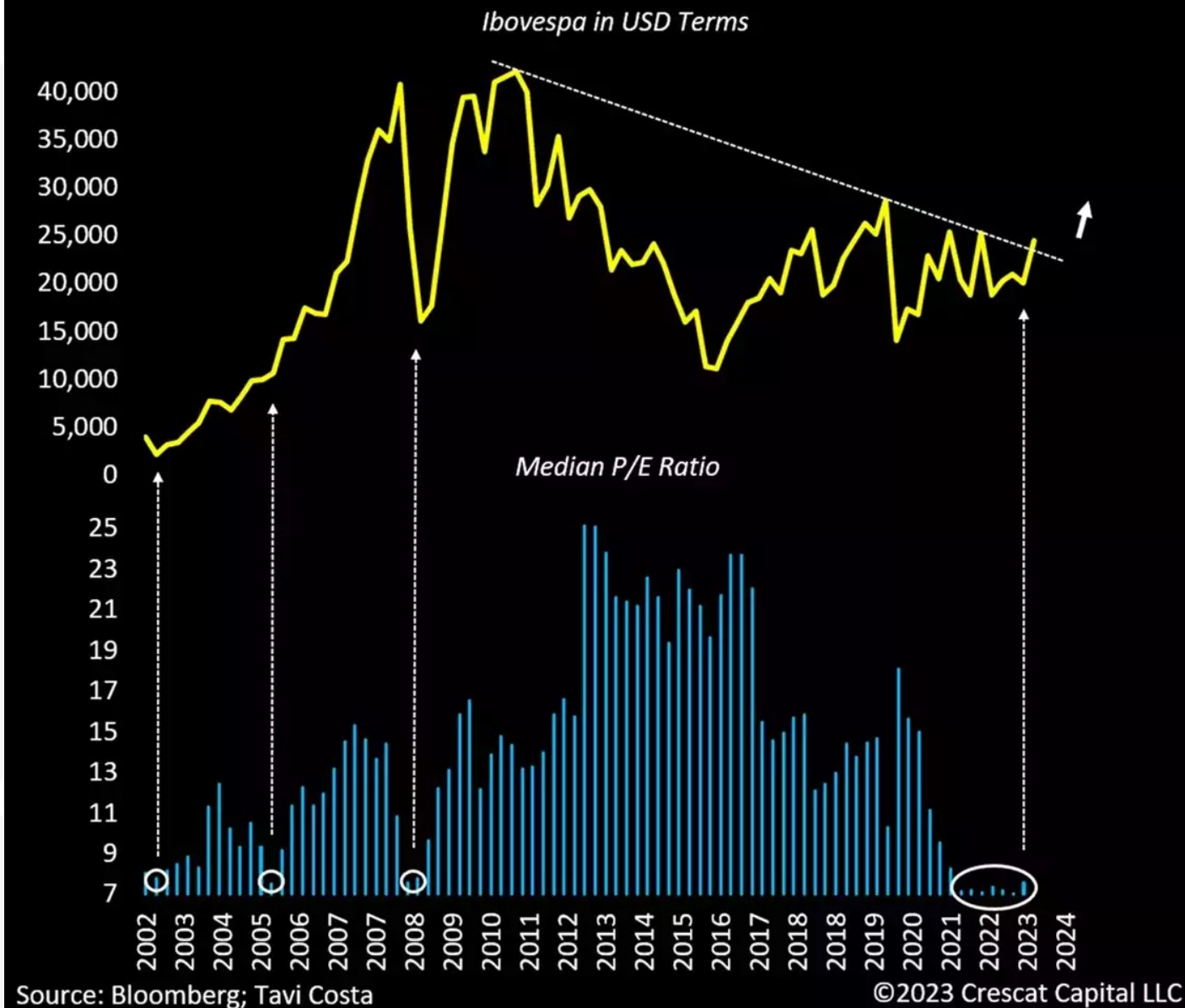
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Note how Brazilian equities have massively underperformed US stocks since the Global Financial Crisis.

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Brazilian Equities: Top 15 Largest Stocks



Rarely in history have
Brazilian stocks been as
cheap as they are today.

Brazilian Real vs. Chinese Yuan

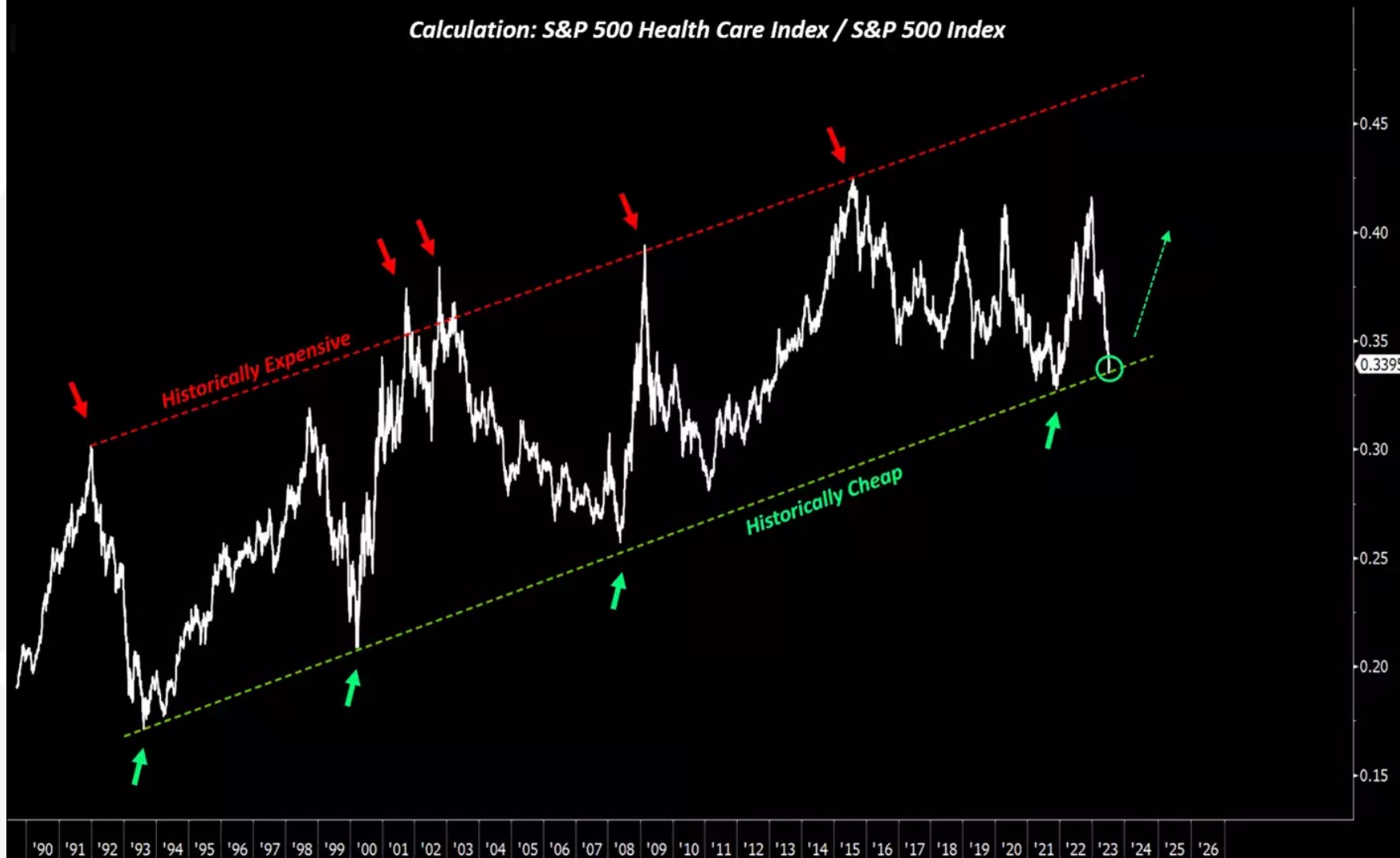


While we rather be long the Brazilian equities that offer even further asymmetry, the simplistic part of the thesis is to be buyers of natural resource-rich economies and sellers of net importers of commodities.

Genomic Revolution

Health Care Sector vs. S&P 500 Index

Calculation: S&P 500 Health Care Index / S&P 500 Index



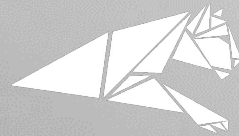
Source: Bloomberg; Tavi Costa

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The healthcare sector is one area of the market outside of natural resource industries where we have become highly constructive on the long side given the recent price dislocation and valuation proposition, particularly biotechnology businesses.

Crescat Macro Presentation



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