



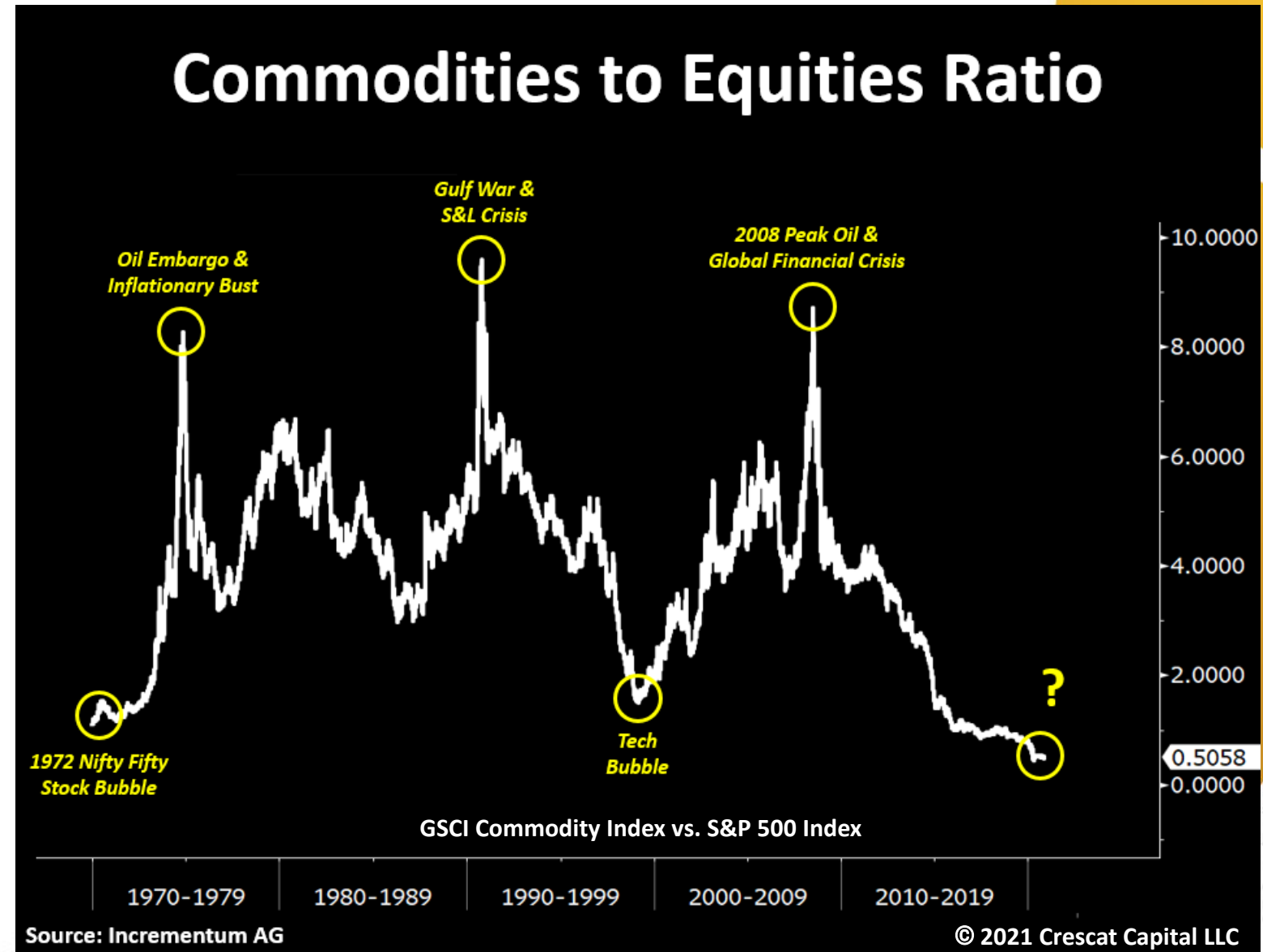
CRESCAT CAPITAL®
THE VALUE OF GLOBAL MACRO INVESTING

MACRO PRESENTATION

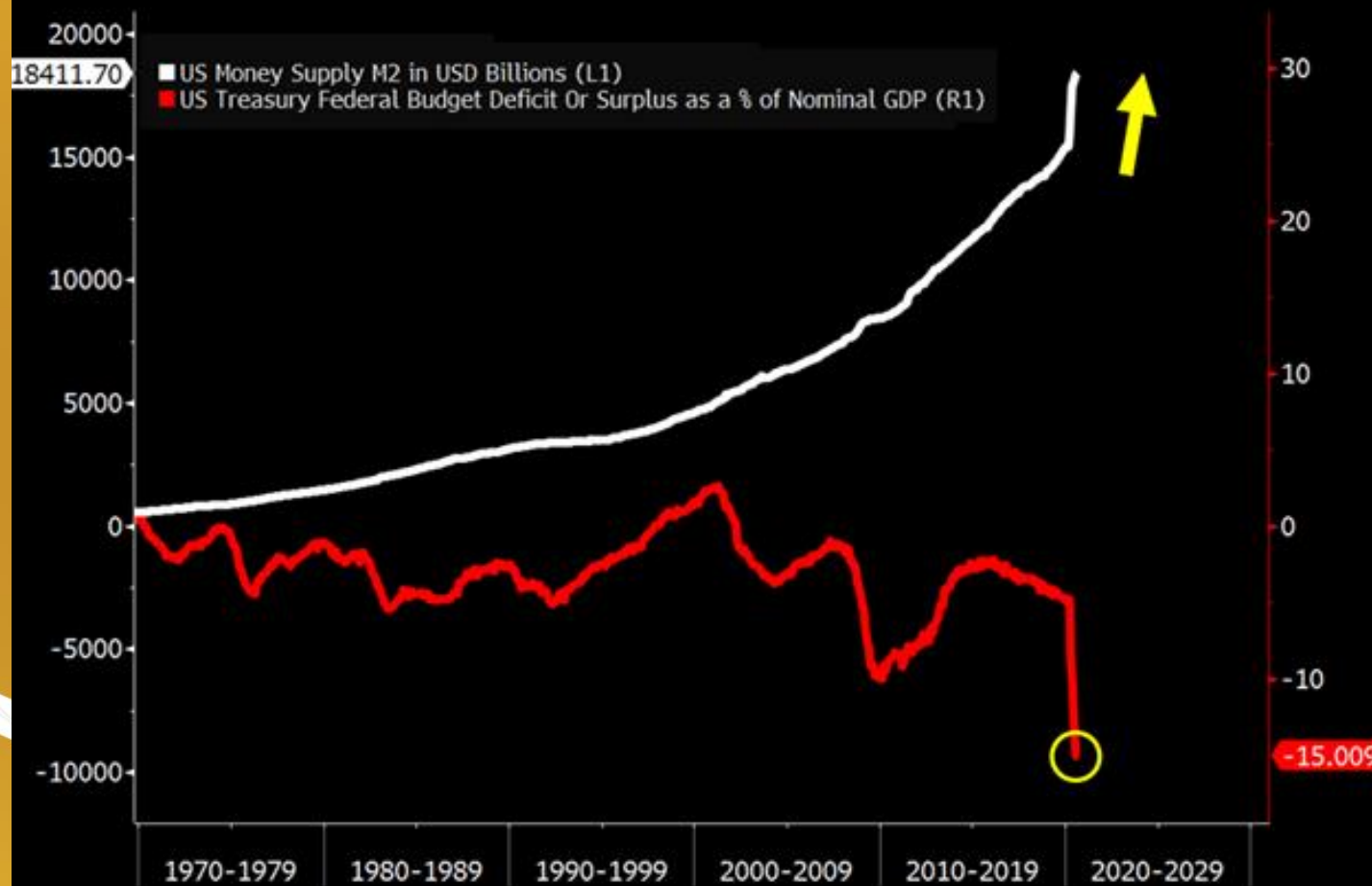
Important Disclosures

Only accredited investors and qualified clients will be admitted as limited partners to a Crescat fund. For natural persons, investors must meet SEC requirements including minimum annual income or net worth thresholds. Crescat funds are being offered in reliance on an exemption from the registration requirements of the Securities Act of 1933 and are not required to comply with specific disclosure requirements that apply to registration under the Securities Act. The SEC has not passed upon the merits of or given its approval to the Crescat funds, the terms of the offering, or the accuracy or completeness of any offering materials. A registration statement has not been filed for any Crescat fund with the SEC. Limited partner interests in the Crescat funds are subject to legal restrictions on transfer and resale. Investors should not assume they will be able to resell their securities. Investing in securities involves risk. Investors should be able to bear the loss of their investment. Investments in the Crescat funds are not subject to the protections of the Investment Company Act of 1940. Performance data represents past performance, and past performance does not guarantee future results. Performance data is subject to revision following each monthly reconciliation and annual audit. Current performance may be lower or higher than the performance data presented. Crescat is not required by law to follow any standard methodology when calculating and representing performance data. Crescat Portfolio Management claims compliance with Global Investment Performance Standards (GIPS®). Prospective clients can obtain a compliance presentation and the firm's list of composite descriptions by visiting our website at www.crescat.net/resources/due-diligence/. Returns are presented net of management fees and performance fees, except where otherwise indicated. The currency used to express performance is U.S. dollars. The performance of Crescat funds may not be directly comparable to the performance of other private or registered funds. Investors may obtain the most current performance data and private offering memorandum for a Crescat fund by contacting Linda Smith at (303) 228-7371 or by sending a request via email to lsmith@crescat.net. See the private offering memorandum for each Crescat fund for complete information and risk factors.

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



Money Supply vs. Fiscal Deficit



Source: Bloomberg

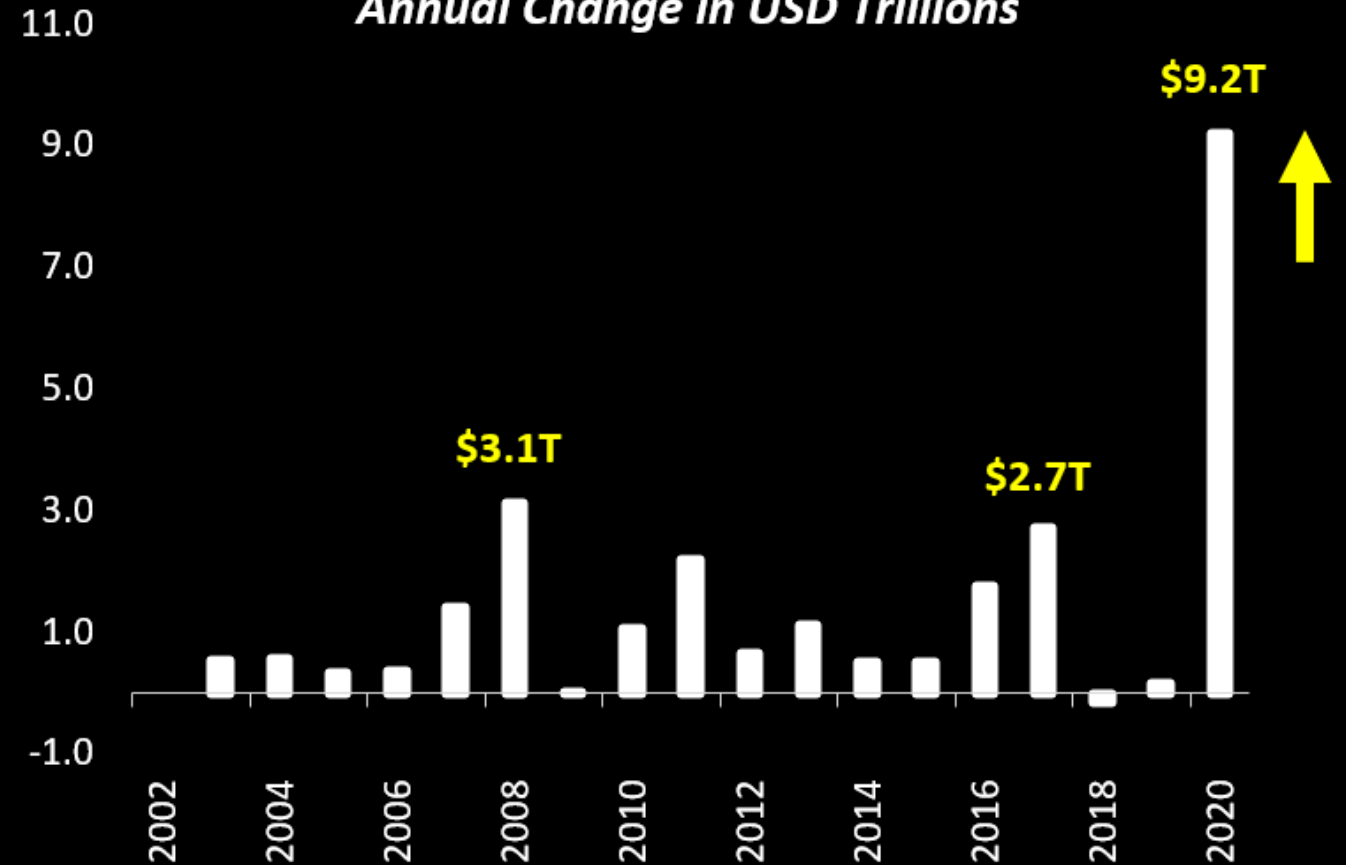
© 2021 Crescat Capital LLC

Monetary and fiscal disorder have perhaps gone too far this time around and significant monetary debasement is, in our view, inevitable.

To summarize 2020:
\$9T of monetary
stimulus worldwide in a
single year, by far the
highest amount we've
ever seen.

Global Central Banks Assets

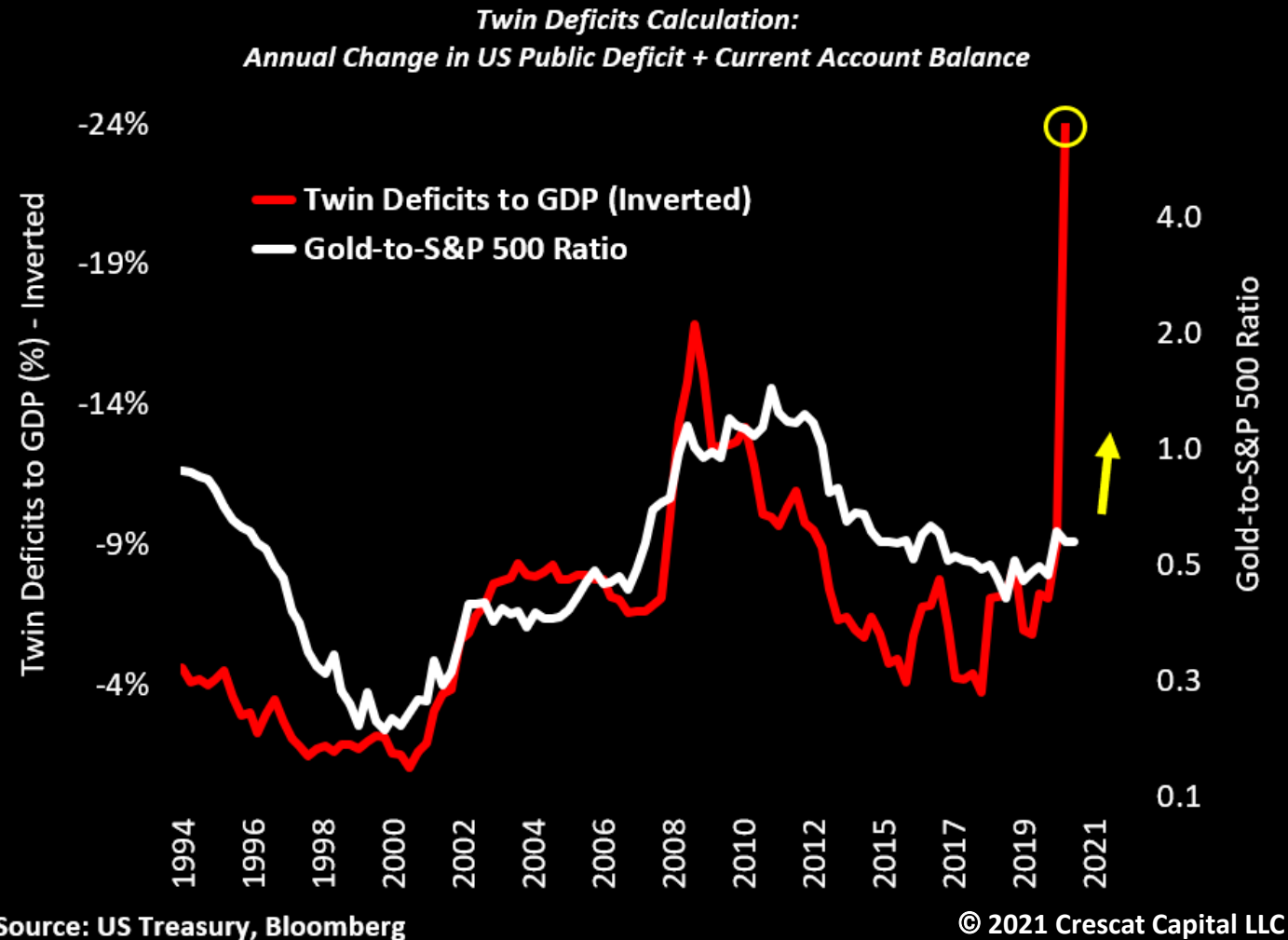
Annual Change in USD Trillions



Source: Bloomberg

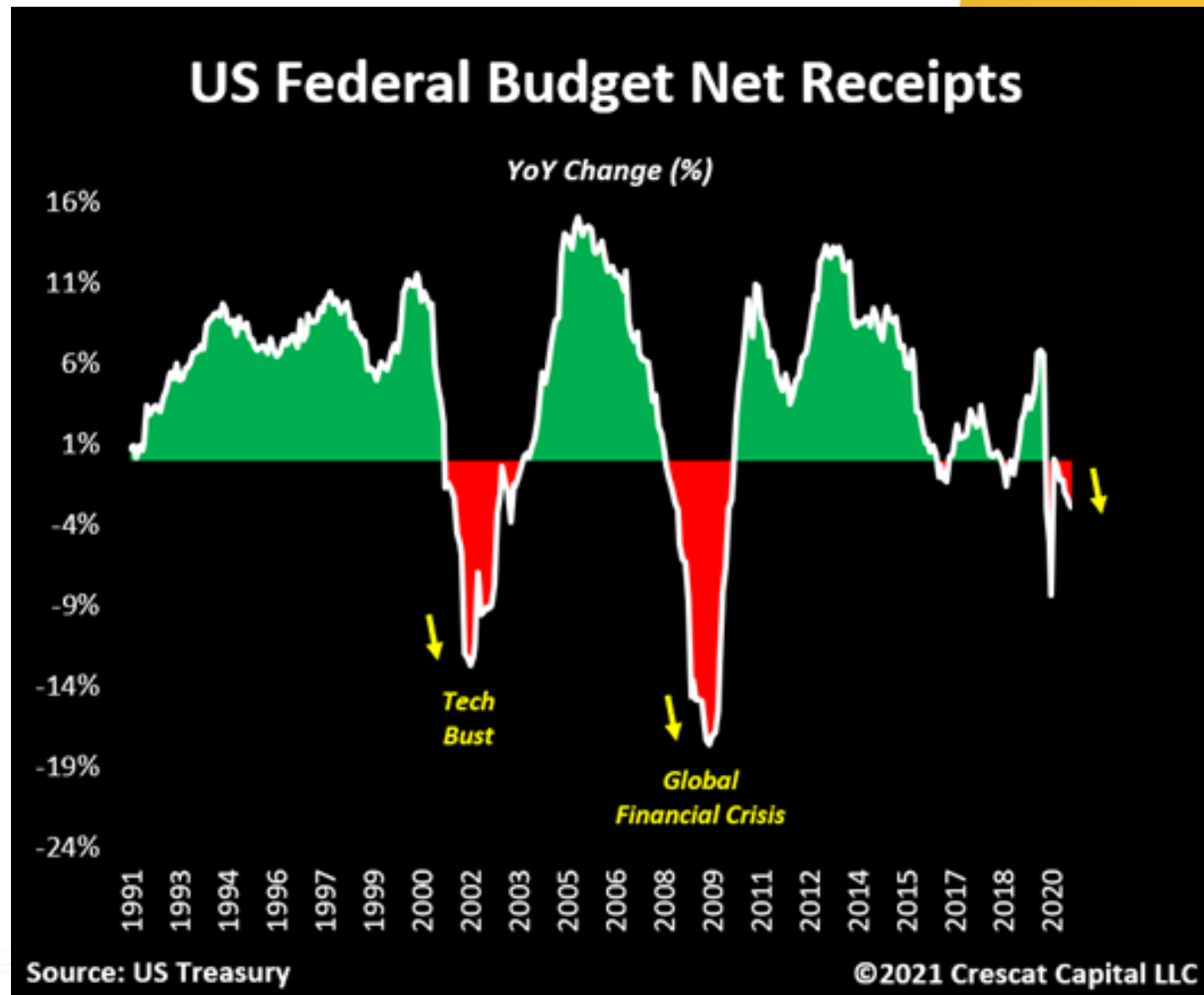
© 2021 Crescat Capital LLC

Twin Deficits vs. Gold-to-S&P 500 Ratio

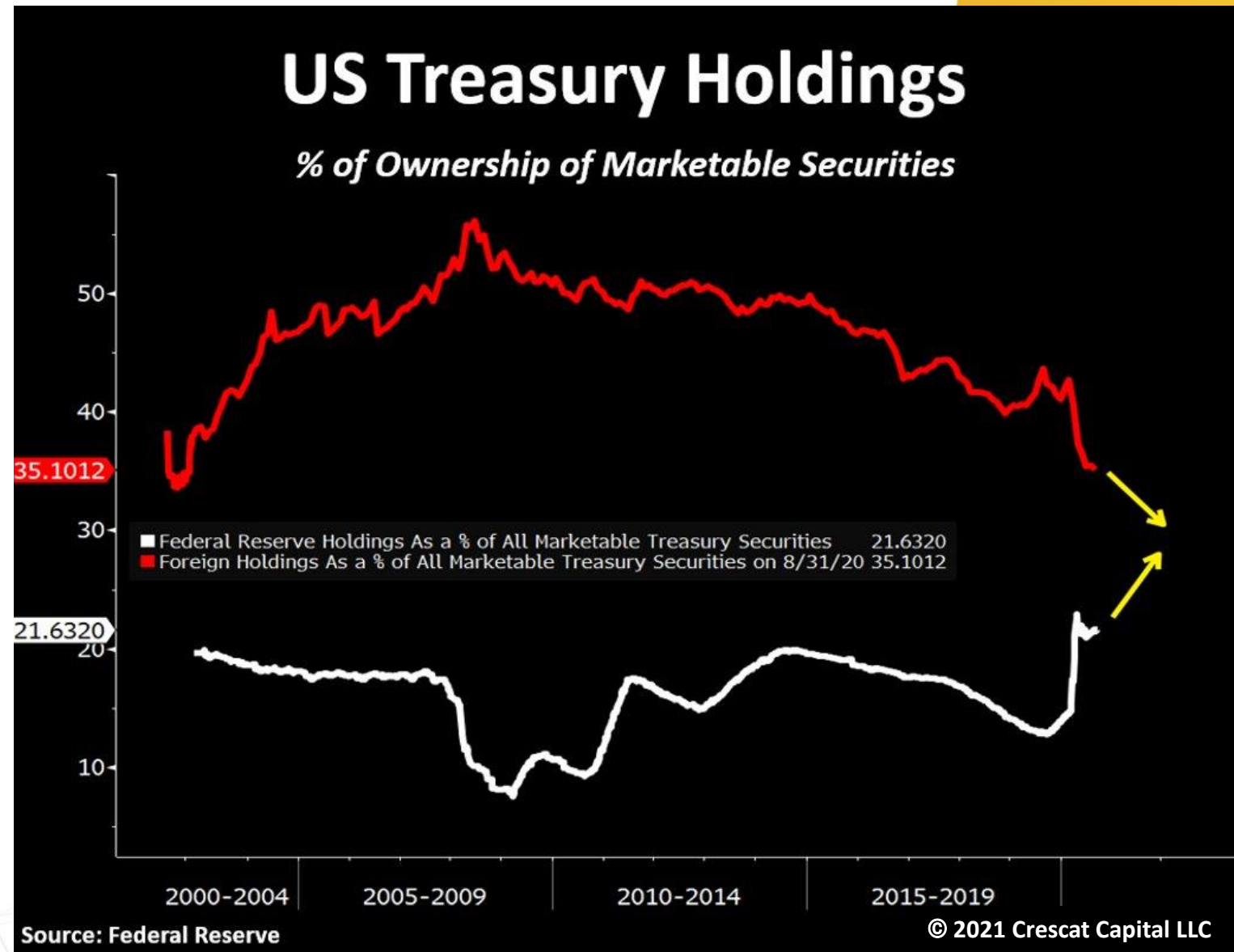


History has proven during times of fiscal disorder gold tends to outperform equities. Inverted twin deficits suggests a massive upward move in the gold to S&P 500 ratio is still ahead.

Not only is fiscal spending surging but US Federal net receipts are also starting to turn lower again. As of January 2021, US federal receipts are down -3% on a year over year basis.



Foreign investors are currently holding the lowest percentage of marketable US Treasuries in 20 years. The Federal Reserve is becoming the buyer of last resort.



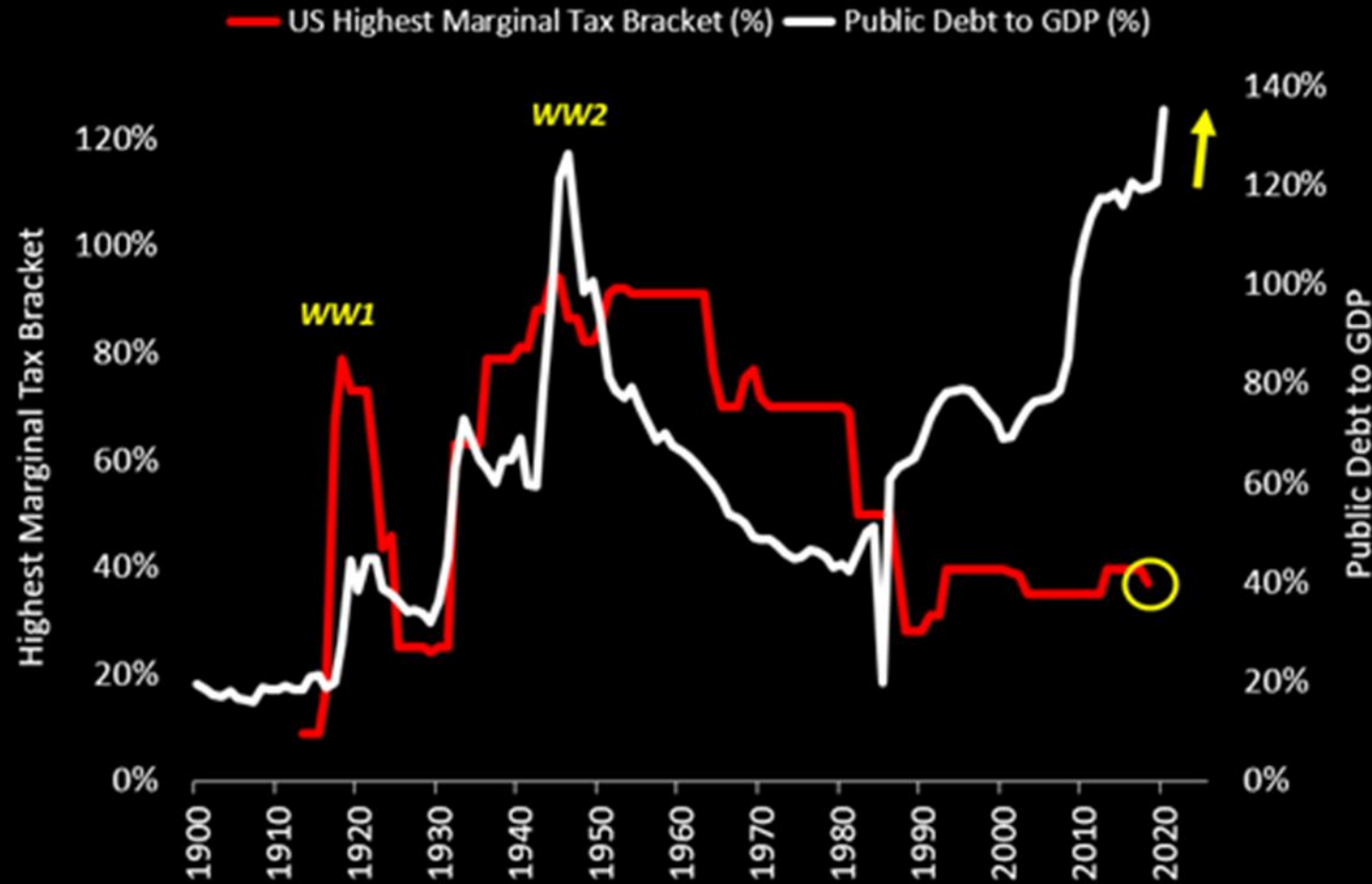
US Banks Treasury Holdings vs. C&I Loans

Calculation: Treasury Holdings – Commercial & Industrial Loans in USD Billions



US banks now have \$993 billion more of US treasury holdings than the combined value of commercial and industrial loans.

US Marginal Tax Bracket vs. Government Debt



Source: Federal Reserve

©2021 Crescat Capital LLC

For people calling for the Roaring 20's, back then not only was inflation falling but tax rates were also in a downtrend. There is no way either of those factors will be in play today.



Crescat Macro Model



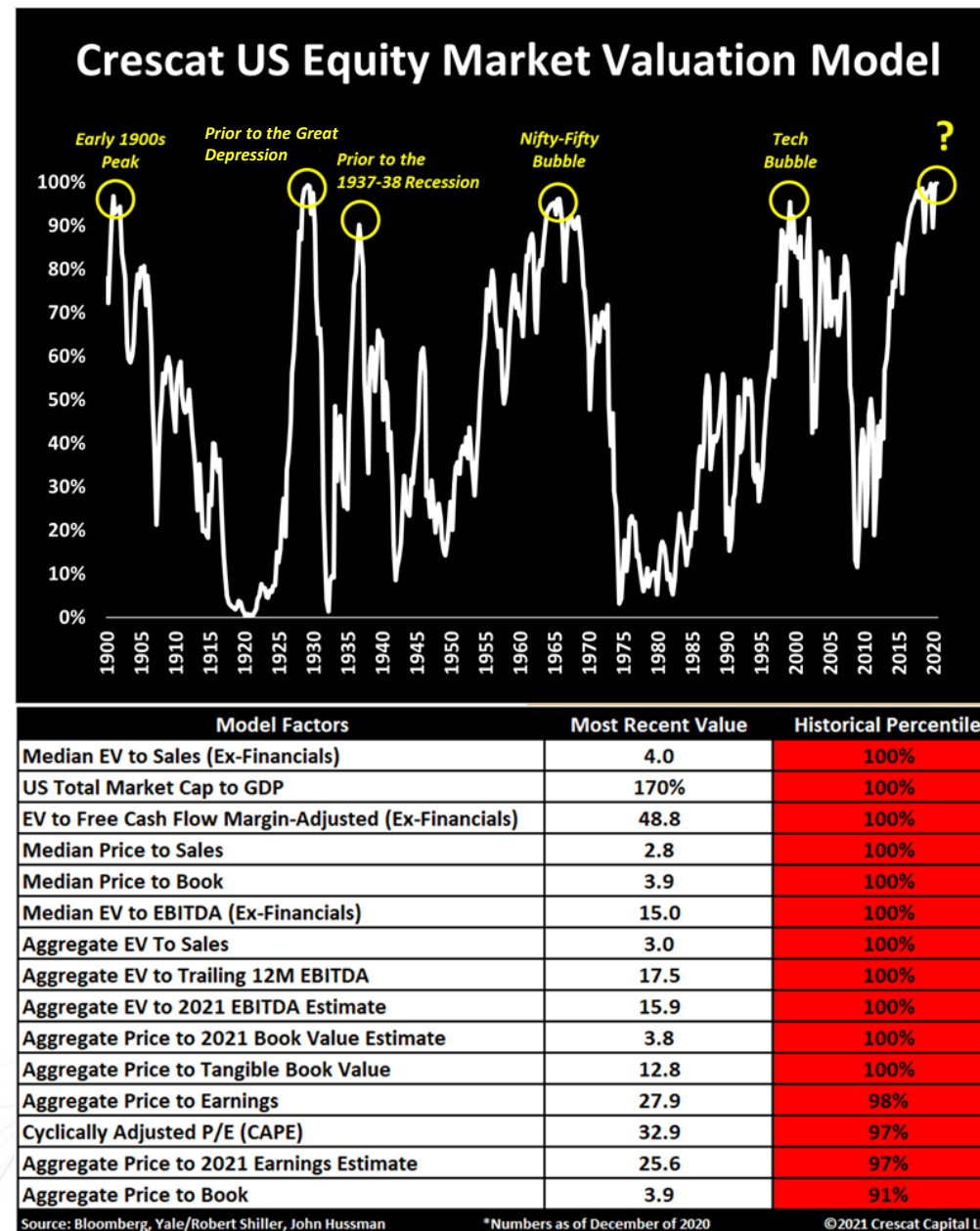
Source: BIS, IMF, BLS, Fed, Conference Board, Bloomberg

© 2021 Crescat Capital LLC

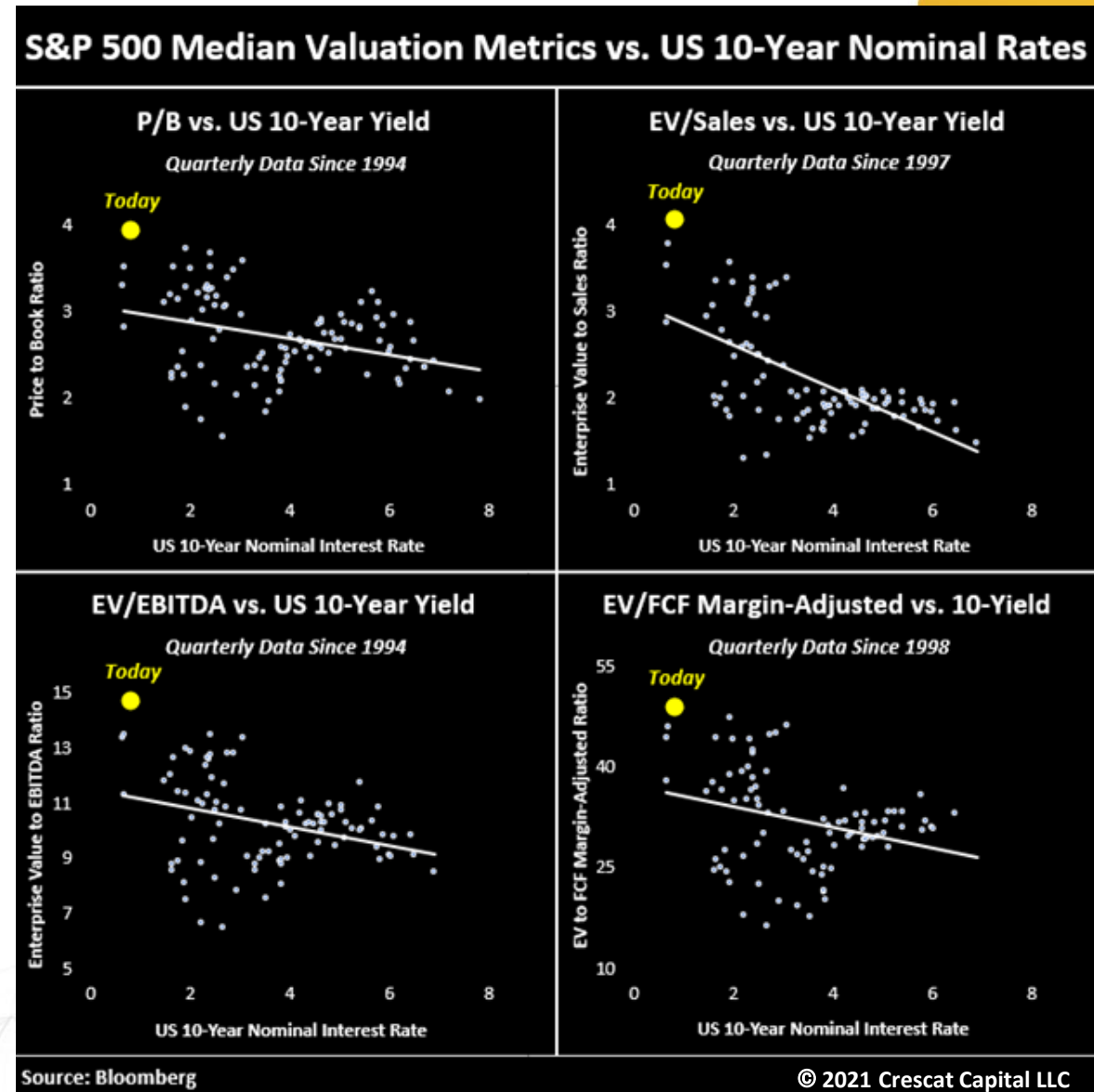
Our recently plunging macro model from an extreme is signaling a major disconnect with current stock prices.



Crescat's 15-factor valuation model is at record levels with 11 out of 15 fundamental metrics in the 100th percentile historically.



Four different valuation metrics using median S&P 500 company data. Today's stock market multiples are the most extreme relative to interest rates in the last 25 years.

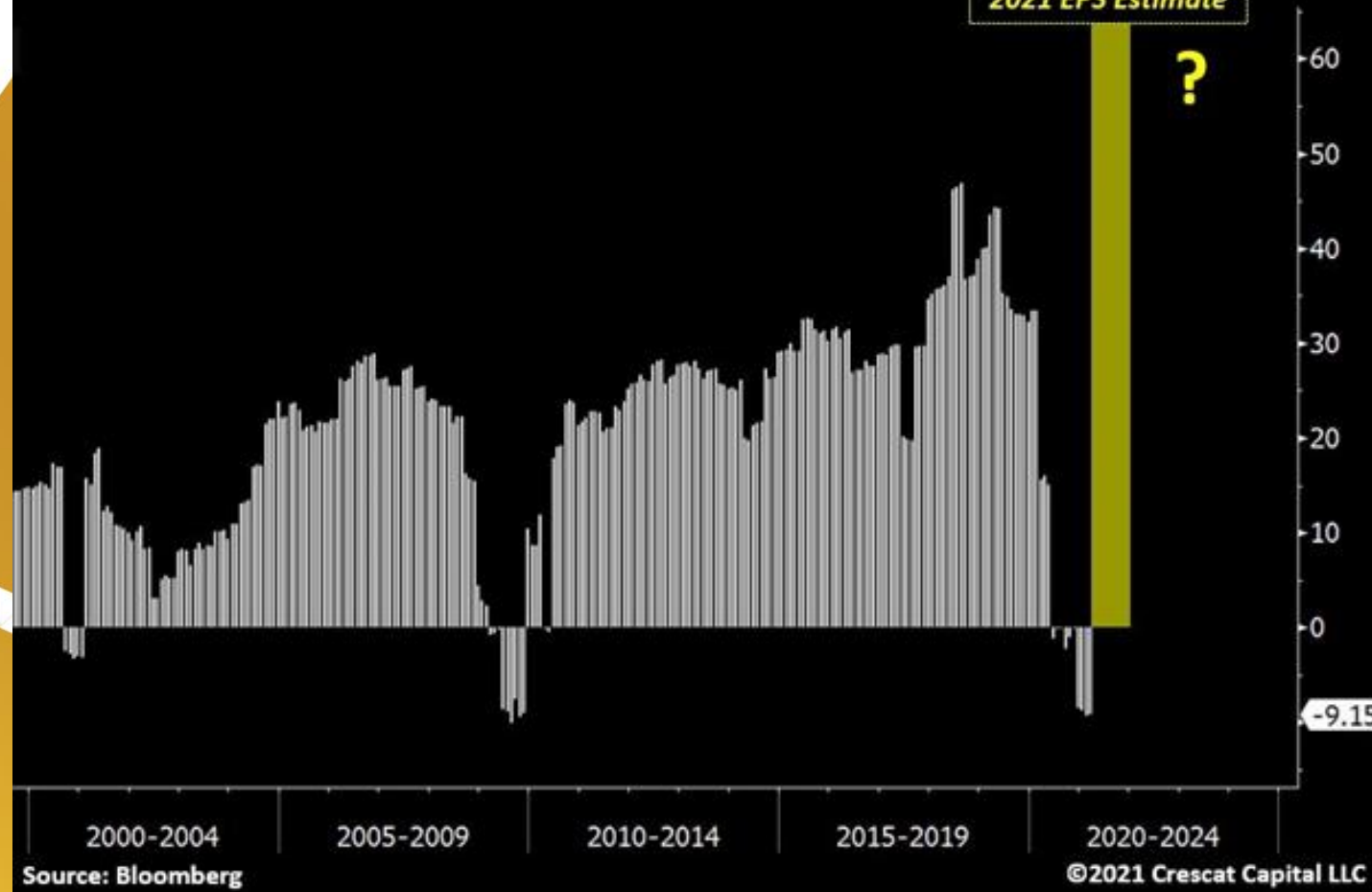


Russell 2000 Earnings

Trailing 12-Month Earnings Per Share

Wall Street
2021 EPS Estimate

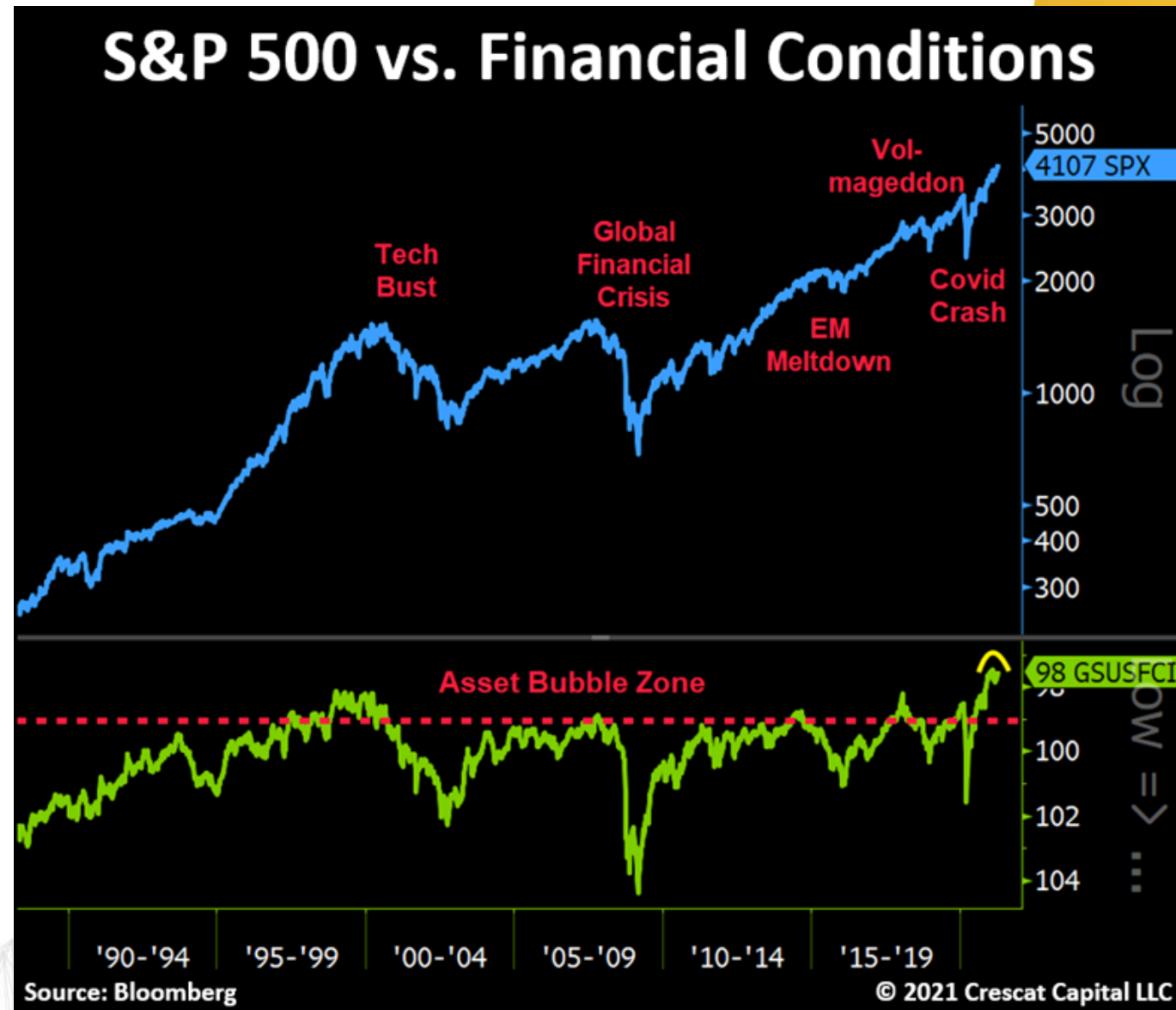
?



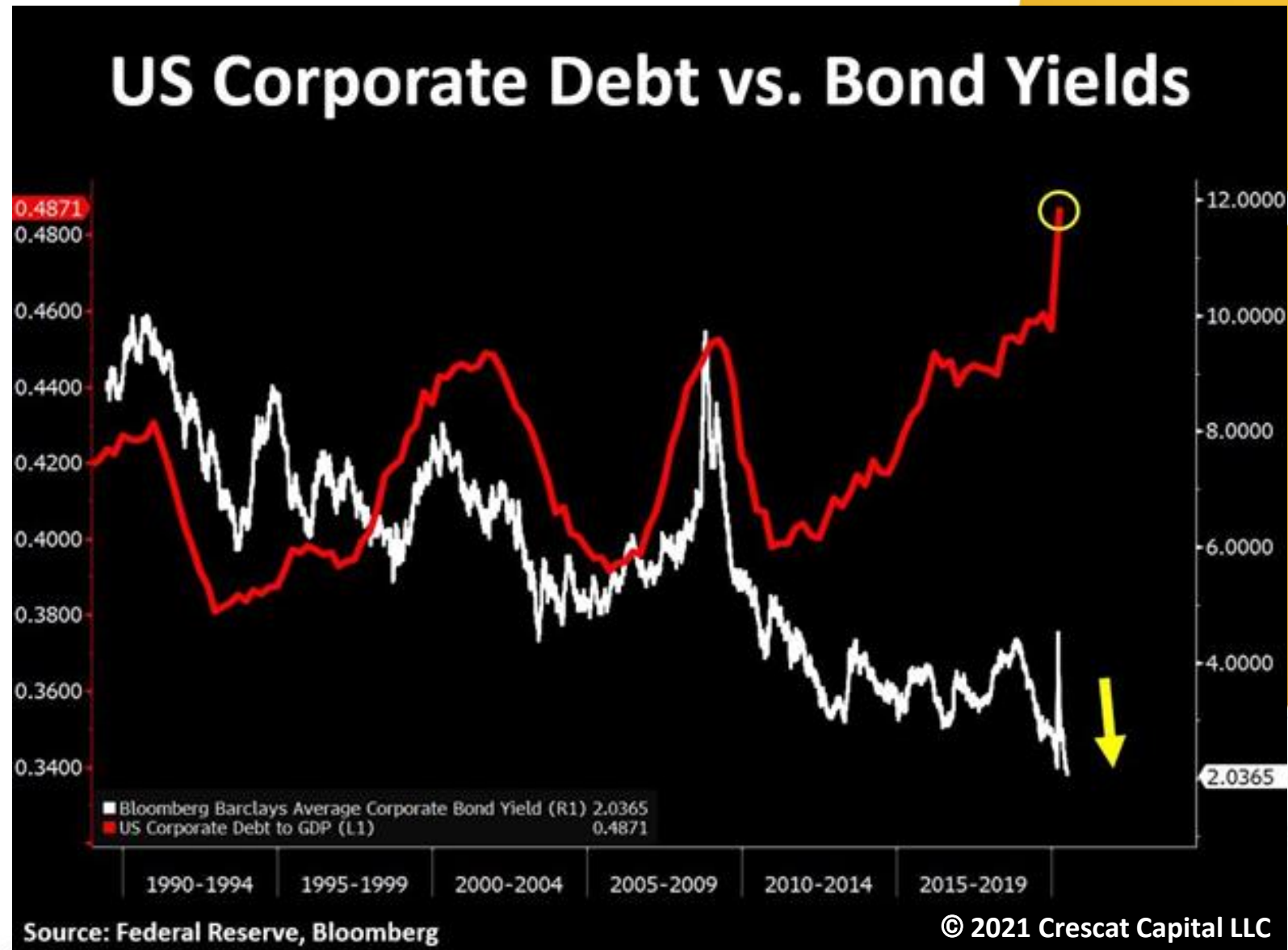
Wall Street analysts are now estimating that small cap earnings for 2021 will be almost 40% higher than the previous highs in 2018. This level of optimism perfectly reflects the euphoric environment we are in.



The yield curve is steepening, long-term nominal rates are rising, and stocks, which are long duration assets, are now in danger.



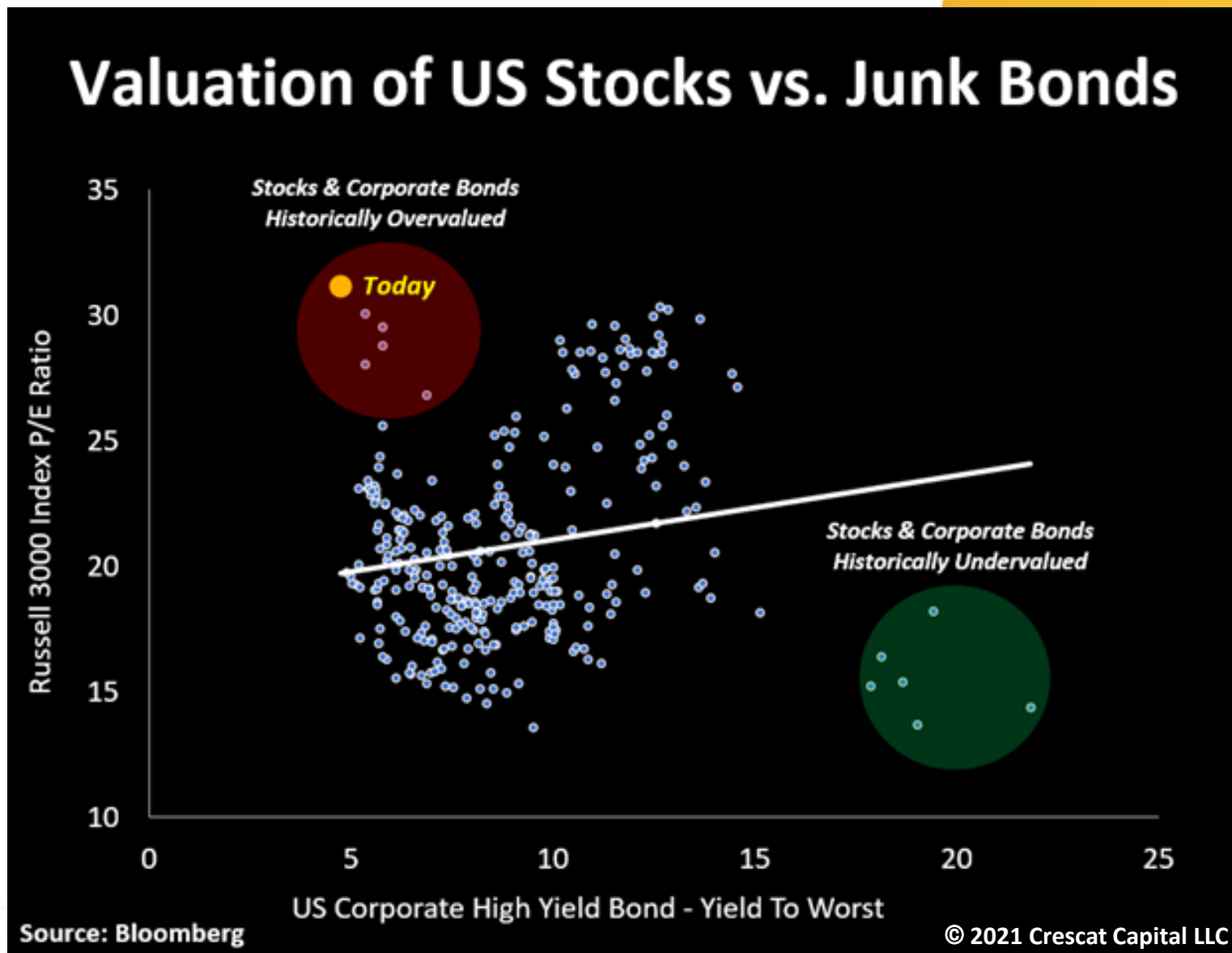
The US corporate bond market has become one of the most central bank dependent parts of financial markets today.



Corporate bonds now yield less than inflation expectation for the first time in history.



For the first time in history, junk bonds and stocks are record overvalued in tandem.



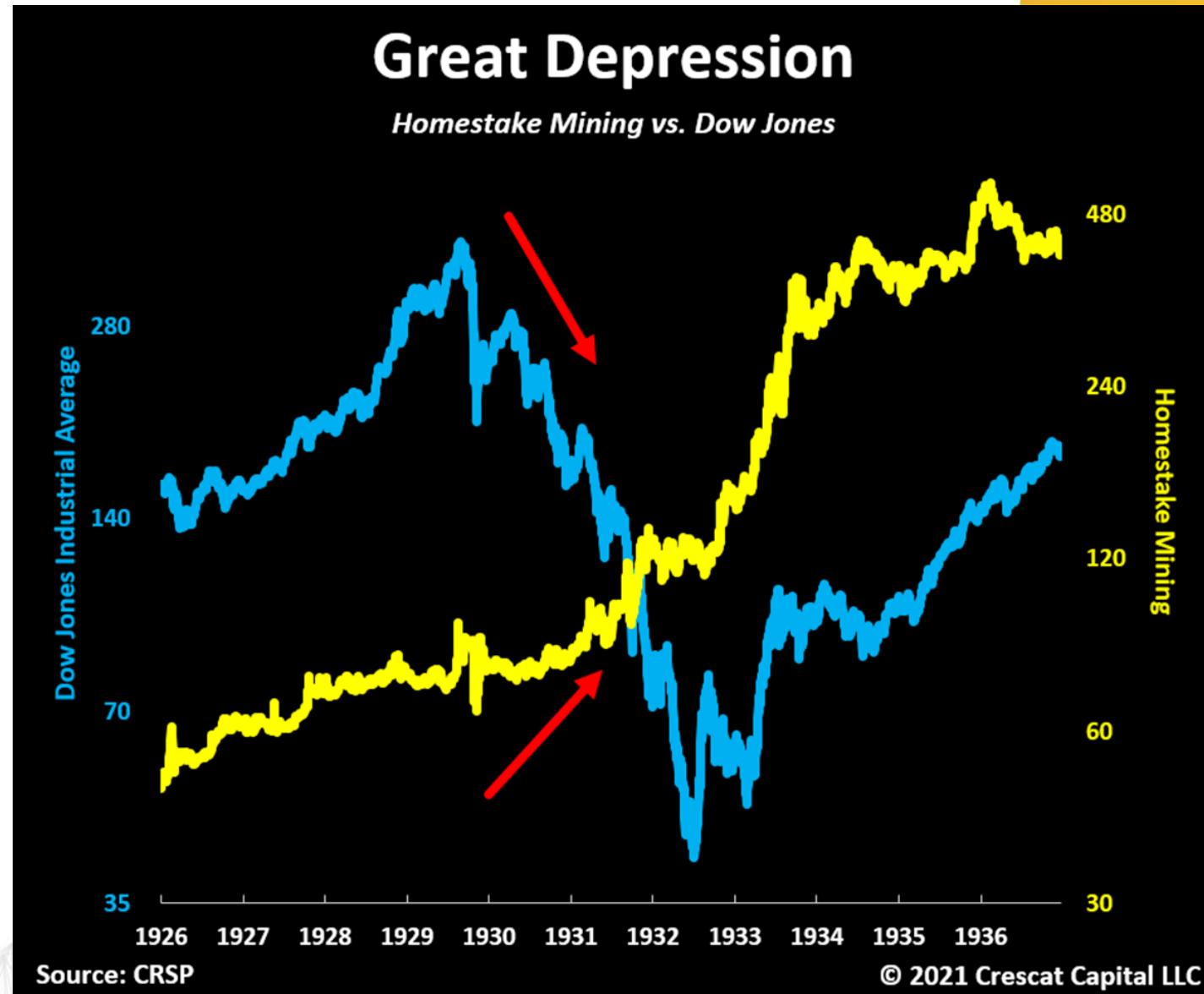
Russell 1000 Growth vs. Value

Relative Price to Book



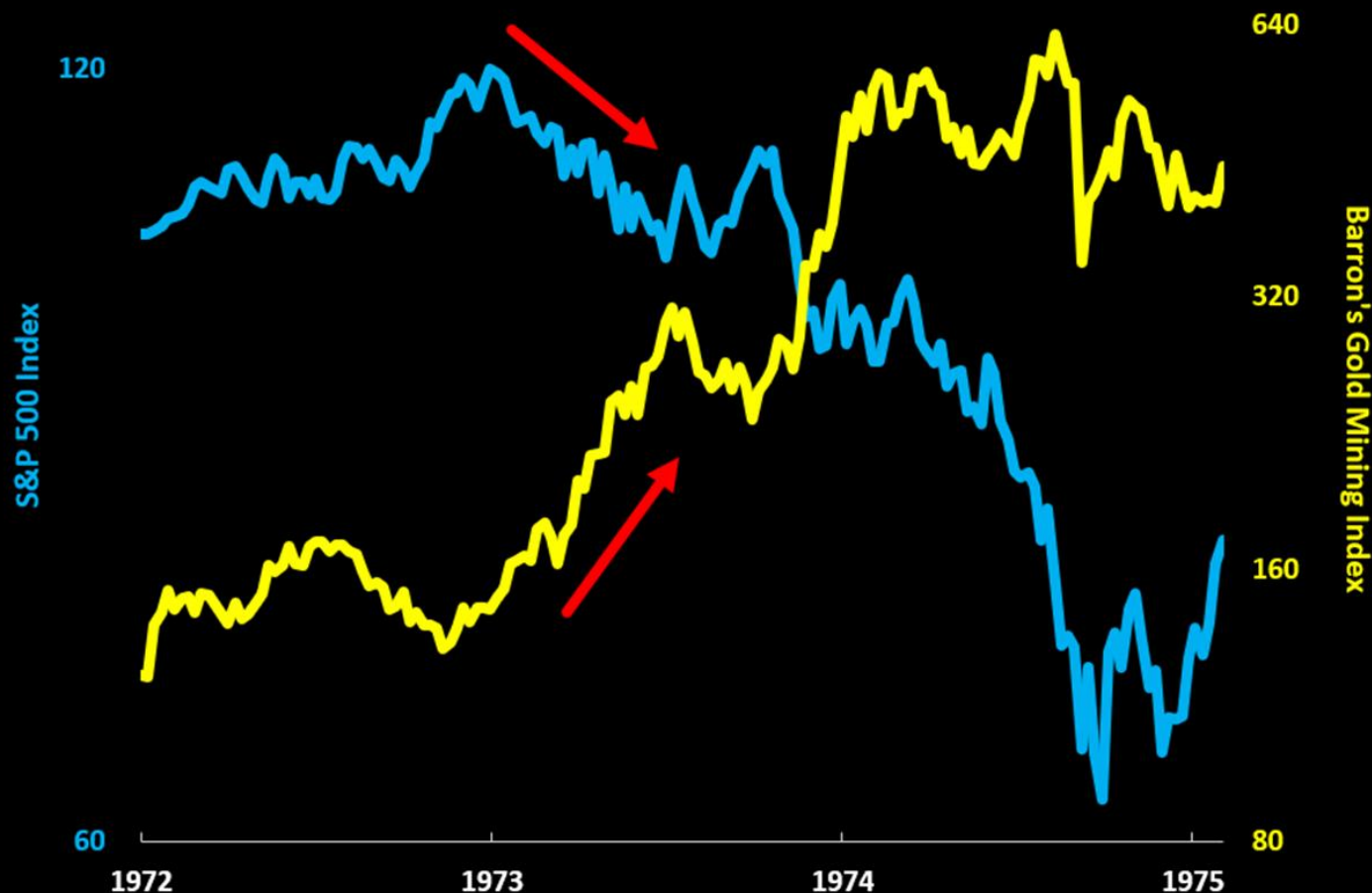
Notice how large cap growth stock performance relative to their value counterparts appears to have just rolled over and likely has much further downside from here.

Gold mining companies acted in counter cyclical fashion to create wealth during the credit deflationary bust of the Great Depression.



Inflationary Recession of 1973-74

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



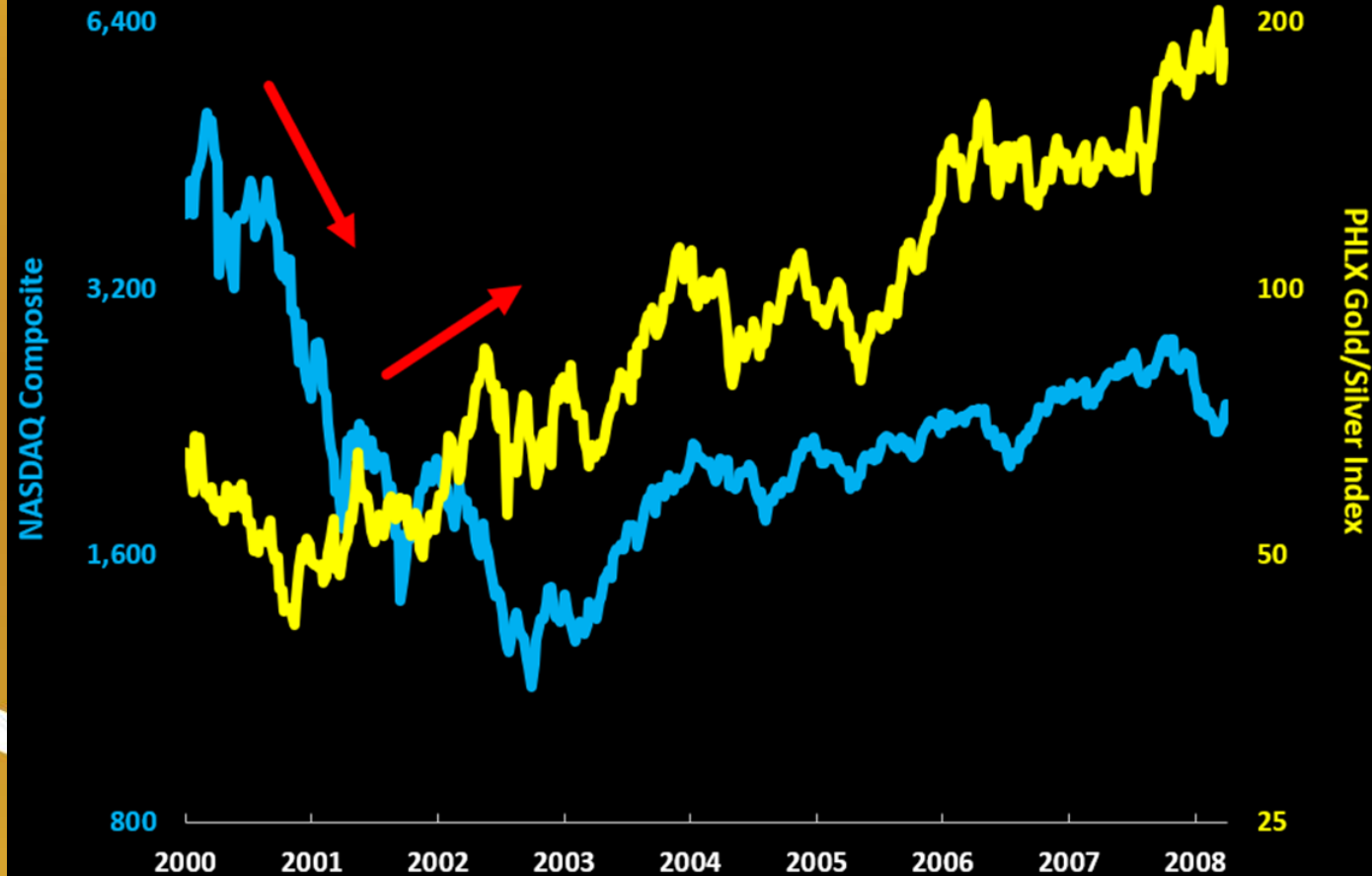
Source: Gold Charts R Us

© 2021 Crescat Capital LLC

The Barron's Gold Mining Index increased 5-fold during the 1973-74 Stagflationary Recession.

Tech Bust

Philadelphia Gold and Silver Index vs. Nasdaq Composite



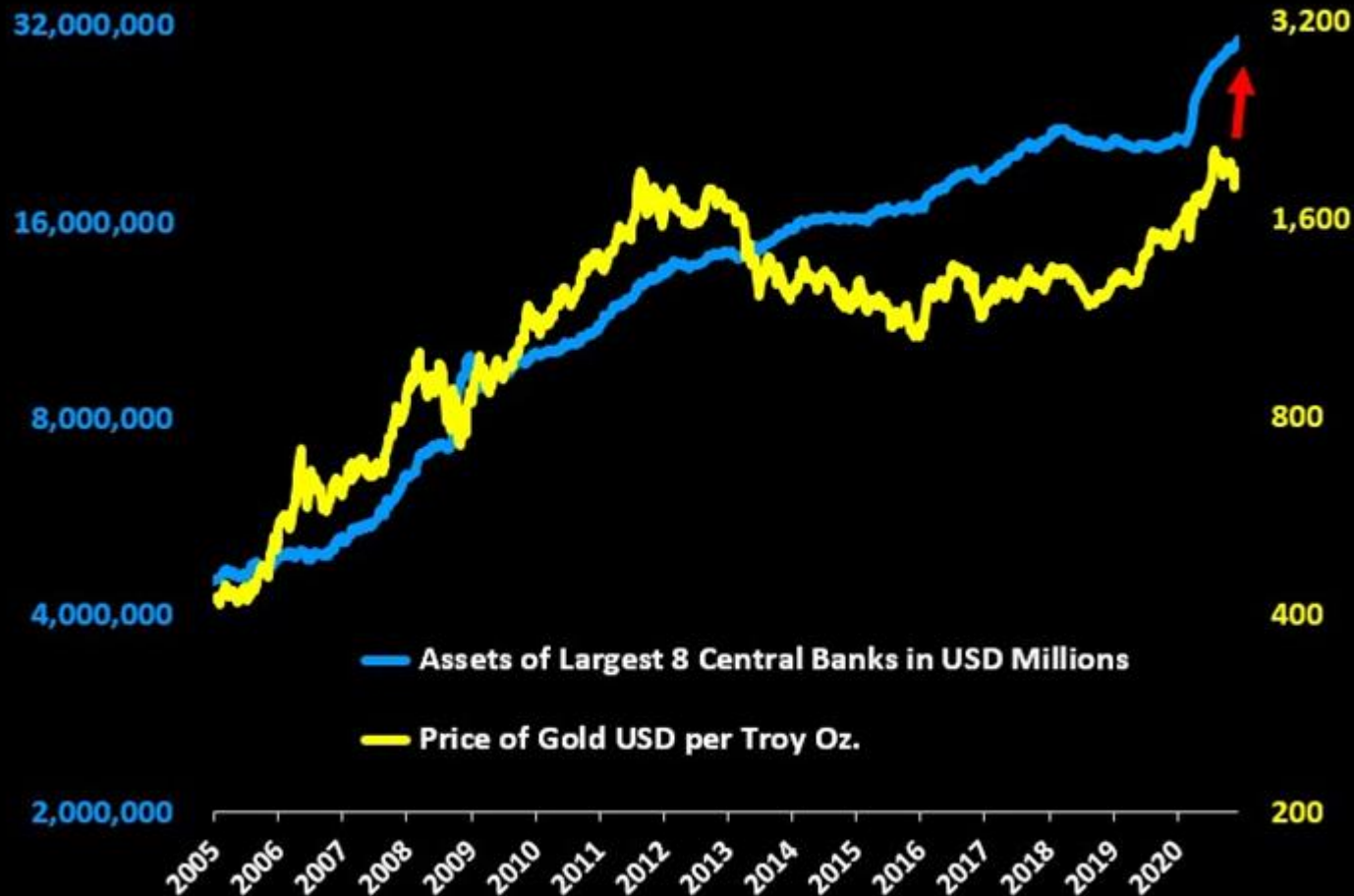
Source: Bloomberg

© 2021 Crescat Capital LLC

The Philadelphia Stock Exchange Gold and Silver Index increased five-fold from 2000 to 2008 while the Nasdaq composite declined 78% from 2000 to 2002.



Global Central Bank Assets vs. Gold



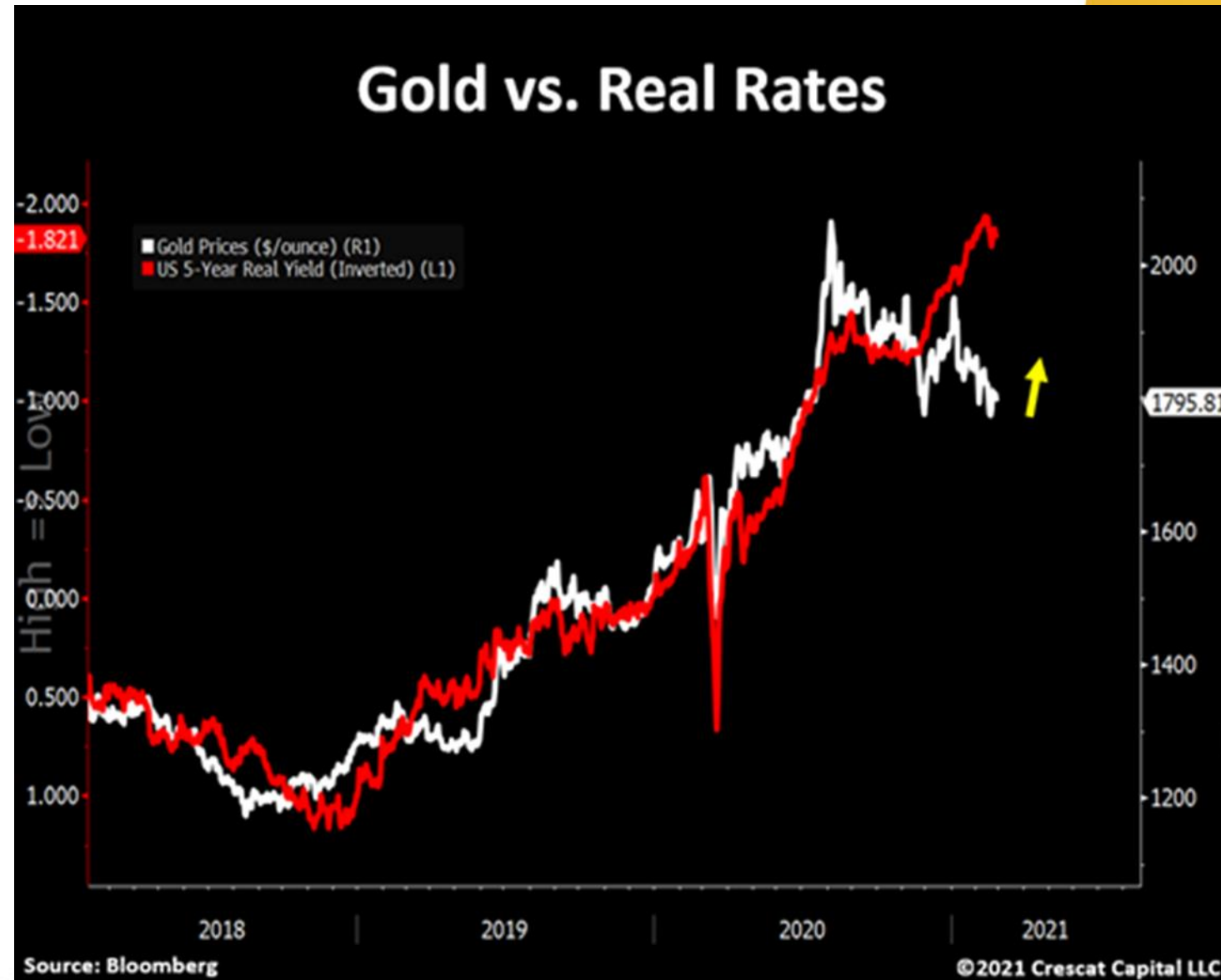
Source: Bloomberg, Central Banks

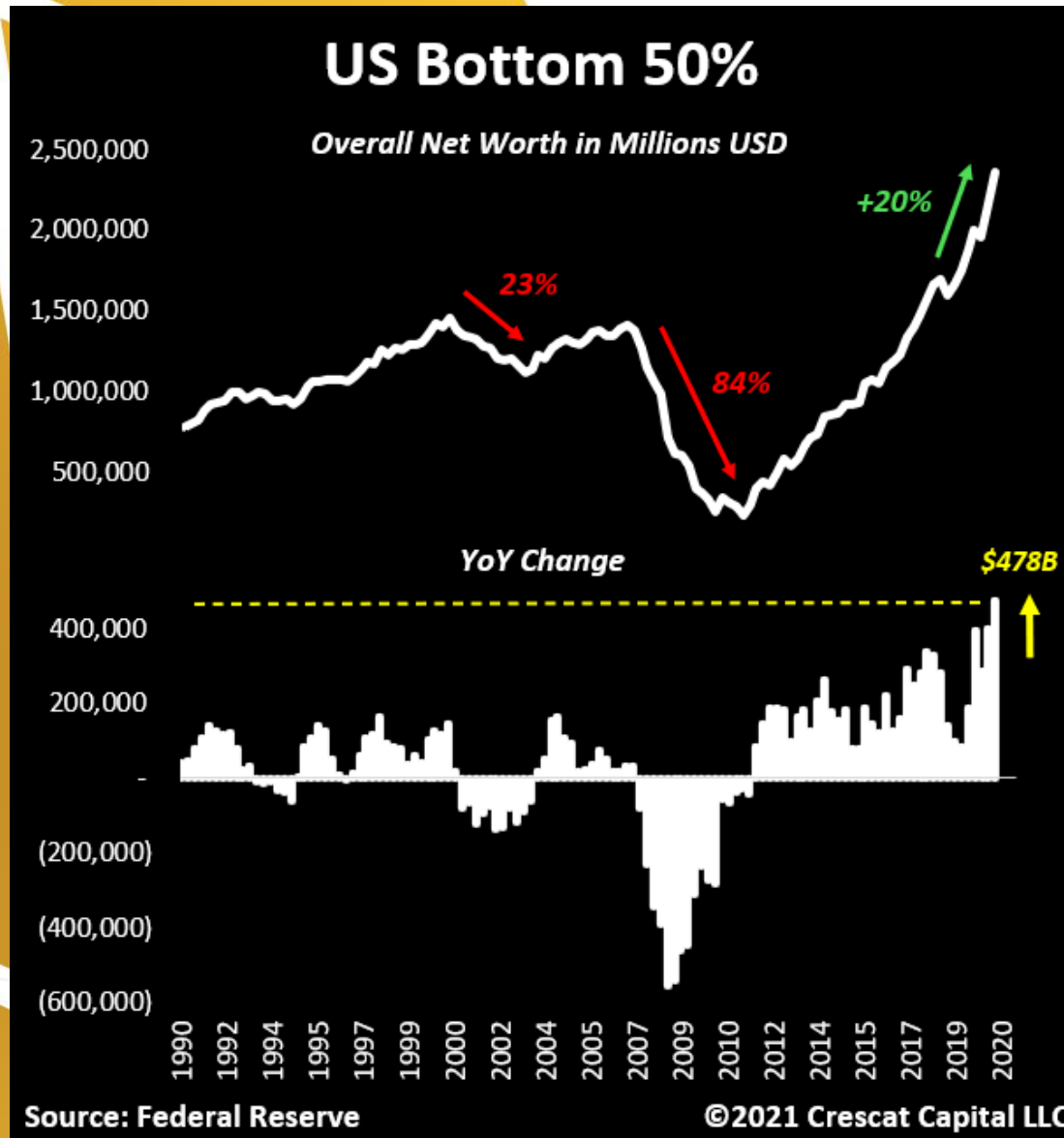
© 2021 Crescat Capital LLC

Money printing only supports financial asset bubbles for so long. Ultimately, QE drives flows out of overvalued stocks and credit and into undervalued precious metals.



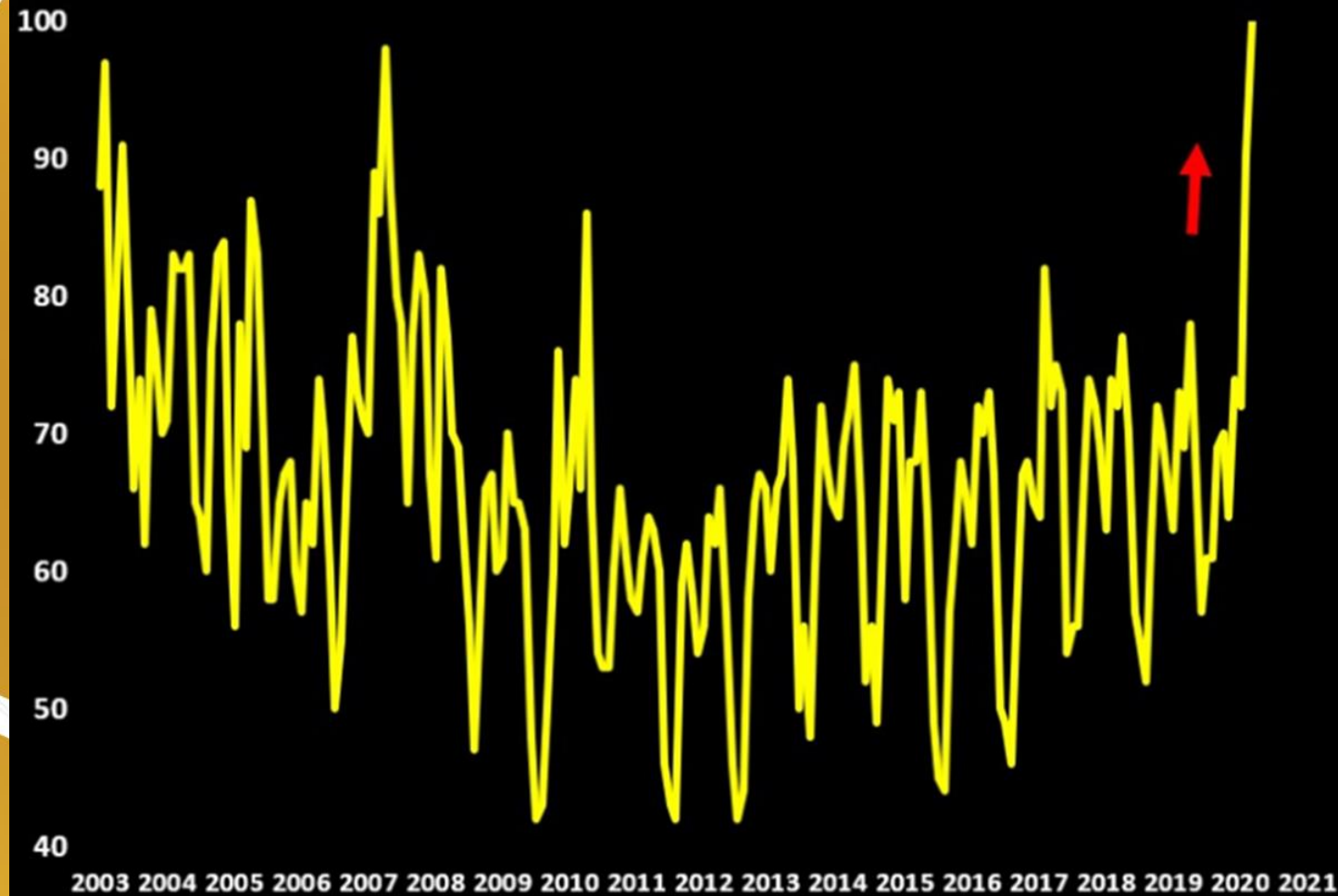
Real rates tend to lead the way for precious metals, particularly gold.





The lower classes just increased their wealth to the highest annual amount in the history of the data.

Search Popularity Rank: "Inflation"



Source: Google Trends

© 2021 Crescat Capital LLC

The popularity of the word "inflation" in Google searches has recently spiked to all-time highs as the monetary debasement narrative continues to gain momentum.



Commodities Adjusted For Inflation

When adjusted for inflation, commodities are just slightly above the worst levels of the Great Recession.



US Private Investments in Mining Exploration

Fixed Investments in Mining Exploration Shafts & Wells in USD Billions



Source: Bureau of Economic Analysis

©2021 Crescat Capital LLC

Investments in mining exploration are at a 62-year low! We strongly believe that there will be major supply/demand imbalances in the next years as part of the current macro environment.



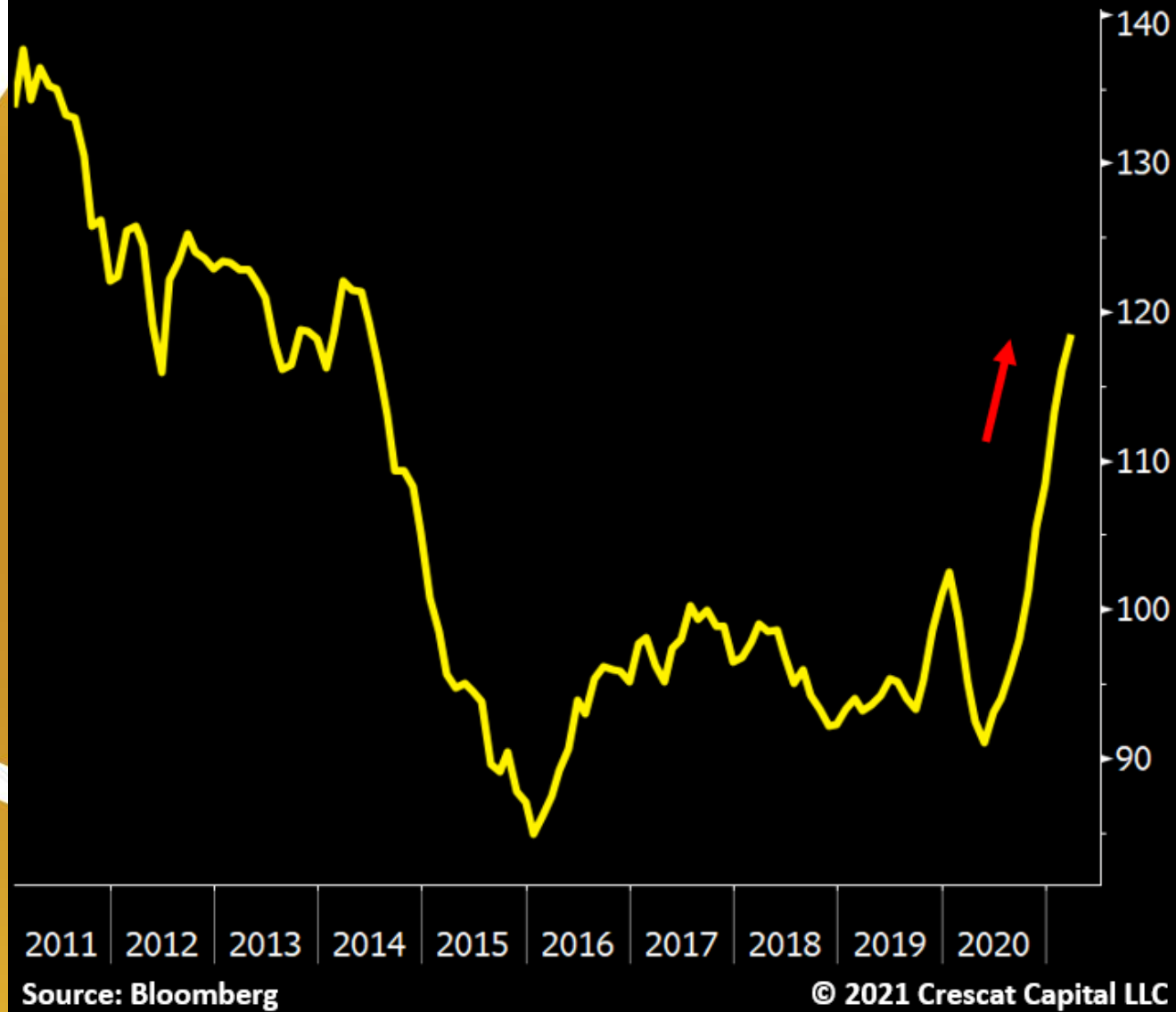
GSCI Equal Weight Commodity Index



An equal weighted commodity basket is already up 23% from pre Covid-19 highs. Imagine what it will look like when the economy re-opens.



UN World Food Price Index



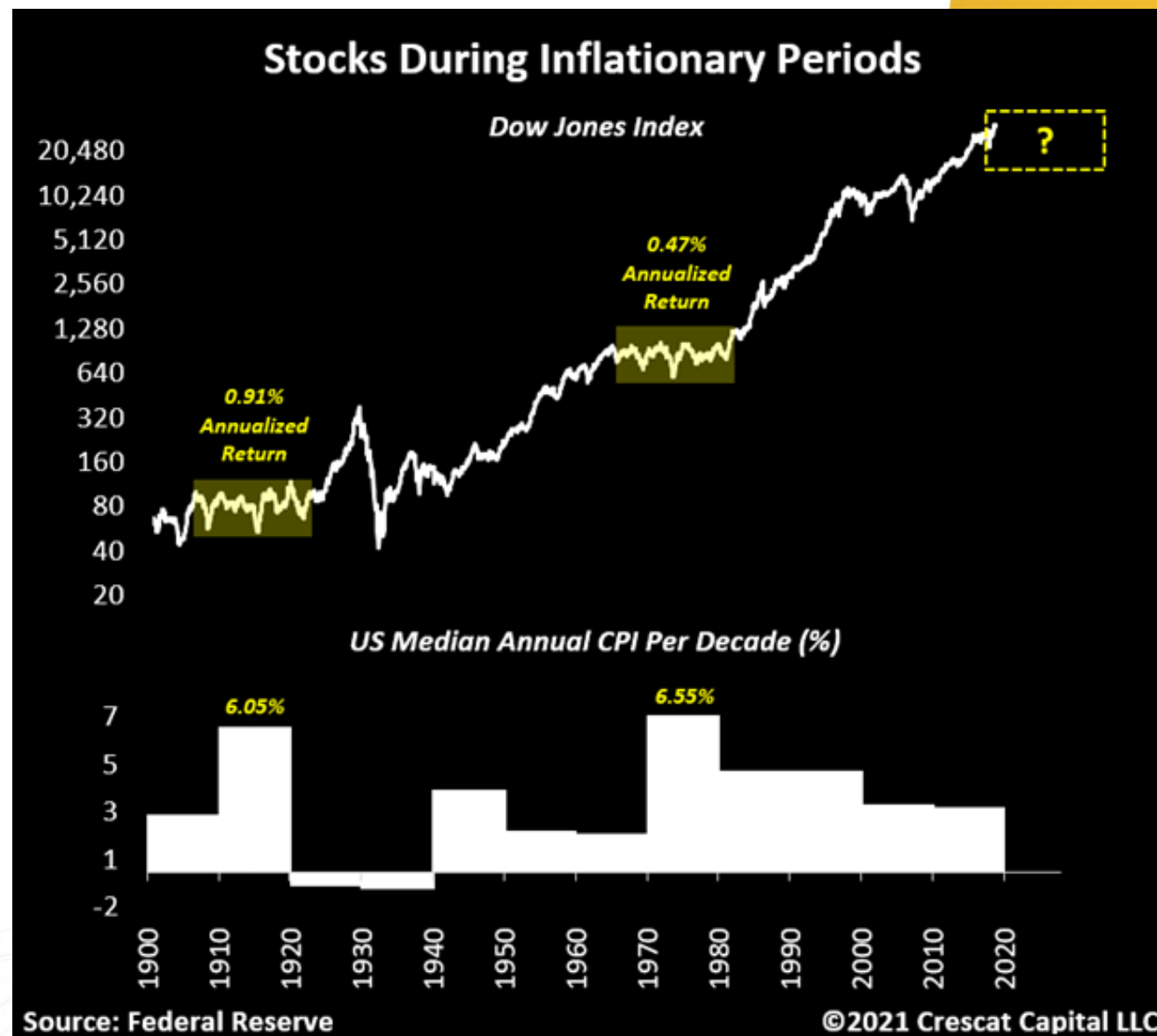
Global food prices up 30%
in the last year.

Commodities vs. Inflation Expectation



Commodity prices have largely impacted inflation expectations over time, suggesting that 10-year breakeven rates are ripe to move significantly higher.

With today's mix of QE to infinity, "helicopter money", 0% short-term interest rates, and World War II sized deficits, our base case is that this is the dawn of another long-term inflationary cycle. To recall, even though equities did not perform as well during the 10s and 70s, commodities did exceptionally well.



Long Term Inflation Expectations vs. Gold

University of Michigan Survey Expected Annual % Change in Prices Next 5 to 10 years



Source: University of Michigan/Bloomberg

© 2021 Crescat Capital LLC

Inflation expectations are rising. Investors will seek hard assets for protection.

Commodities vs. Emerging Markets



This divergence puts into perspective how only one of those two assets looks to be an asymmetric opportunity for the years ahead – commodities.

Looking back in history, periods of extreme monetary policies are followed by strong rallies in silver.

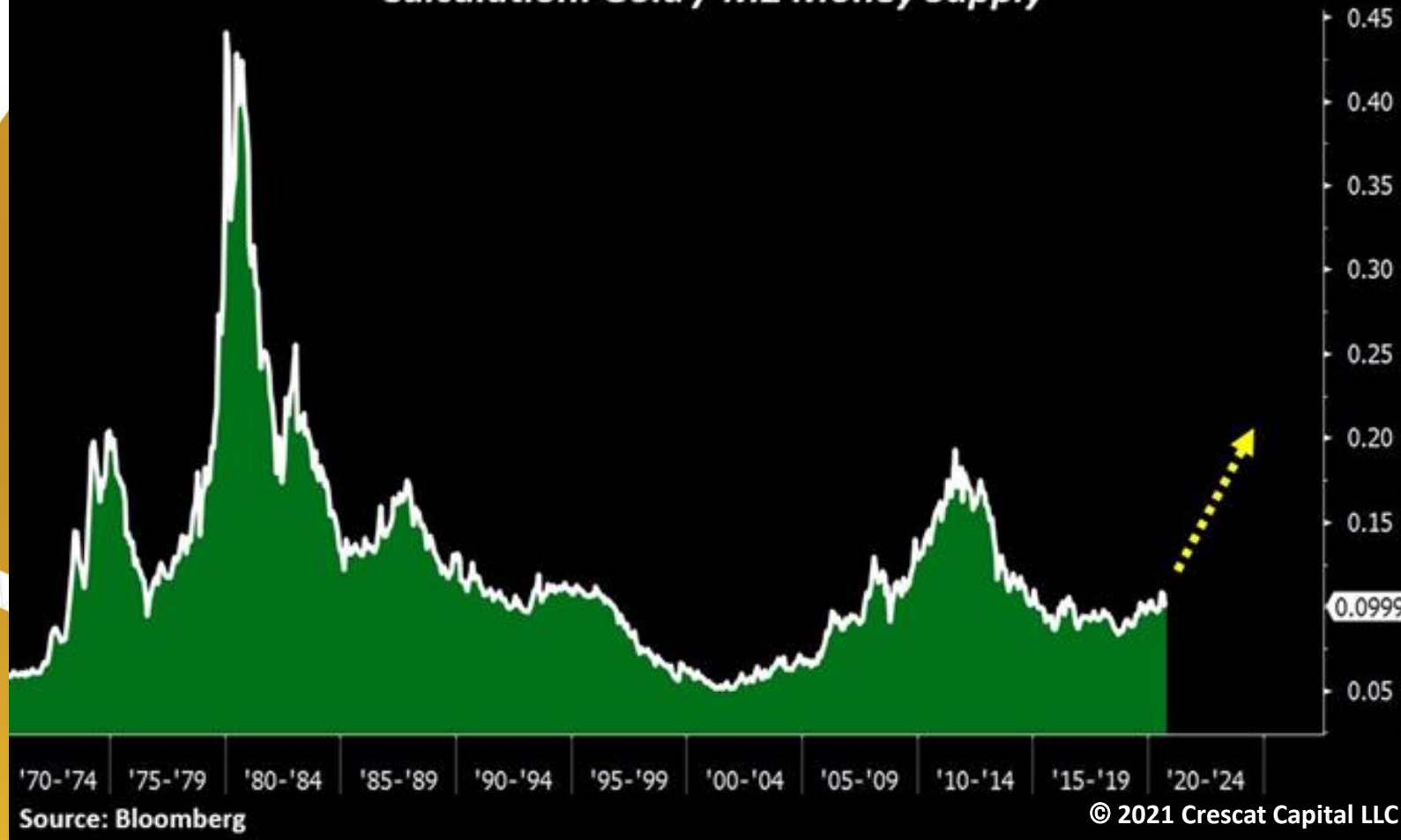


Silver remains historically undervalued relative to money supply.



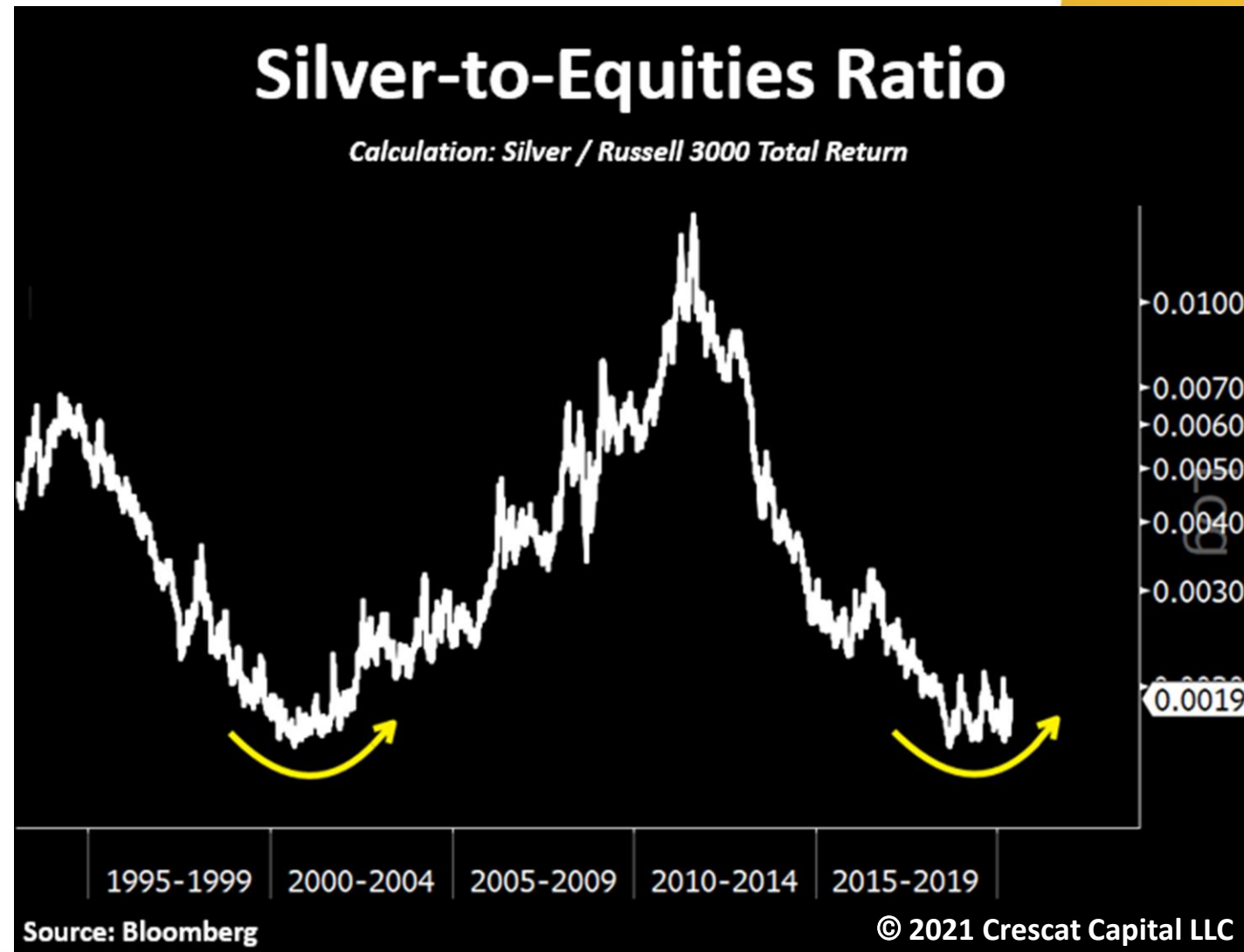
Gold vs. Money Supply

Calculation: Gold / M2 Money Supply



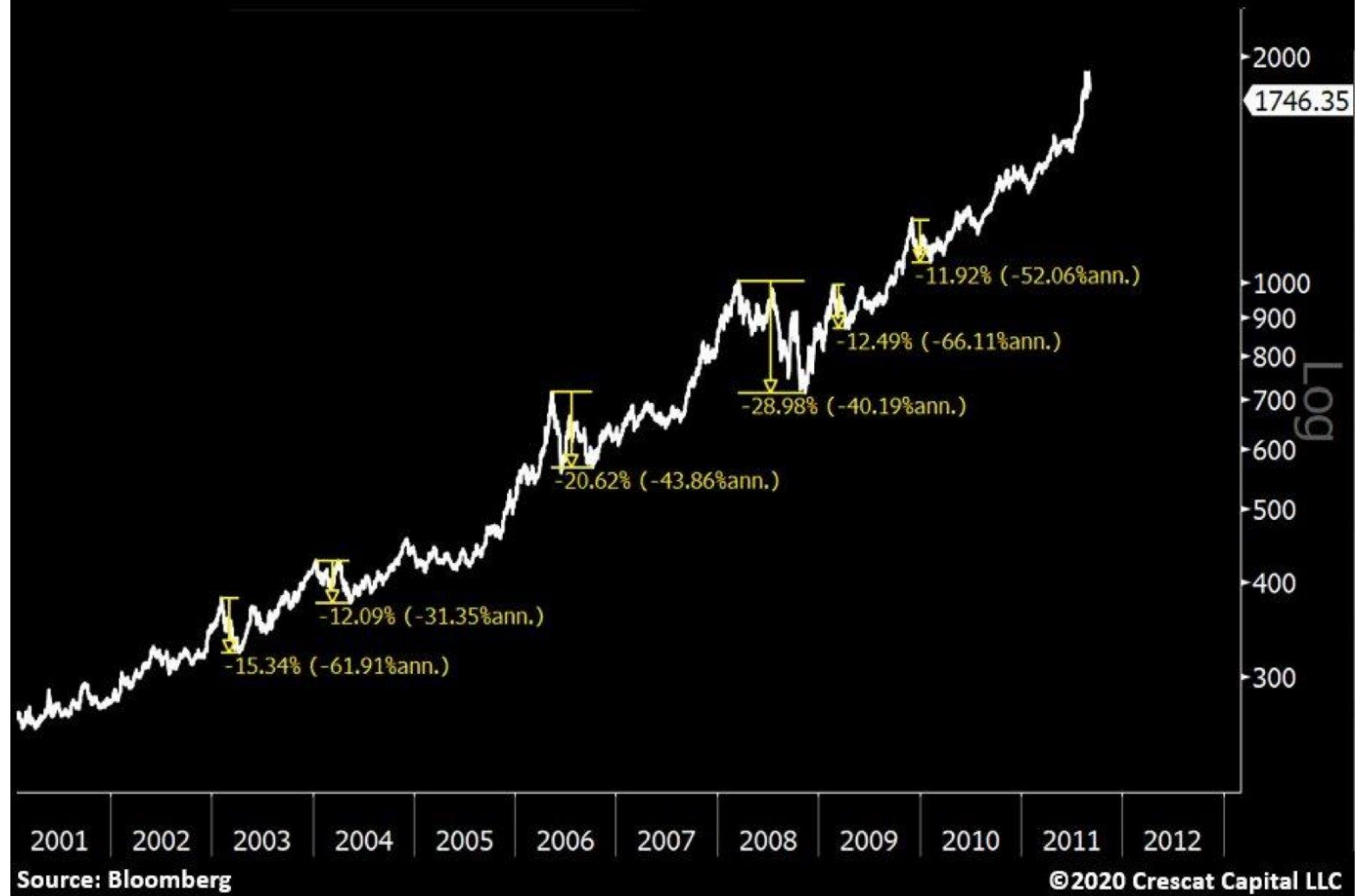
Price of gold relative to M2 money supply still looks historically attractive with significant upside likely ahead.

The silver-to-equities ratio is a clean looking double bottom, a battle of two extremes.



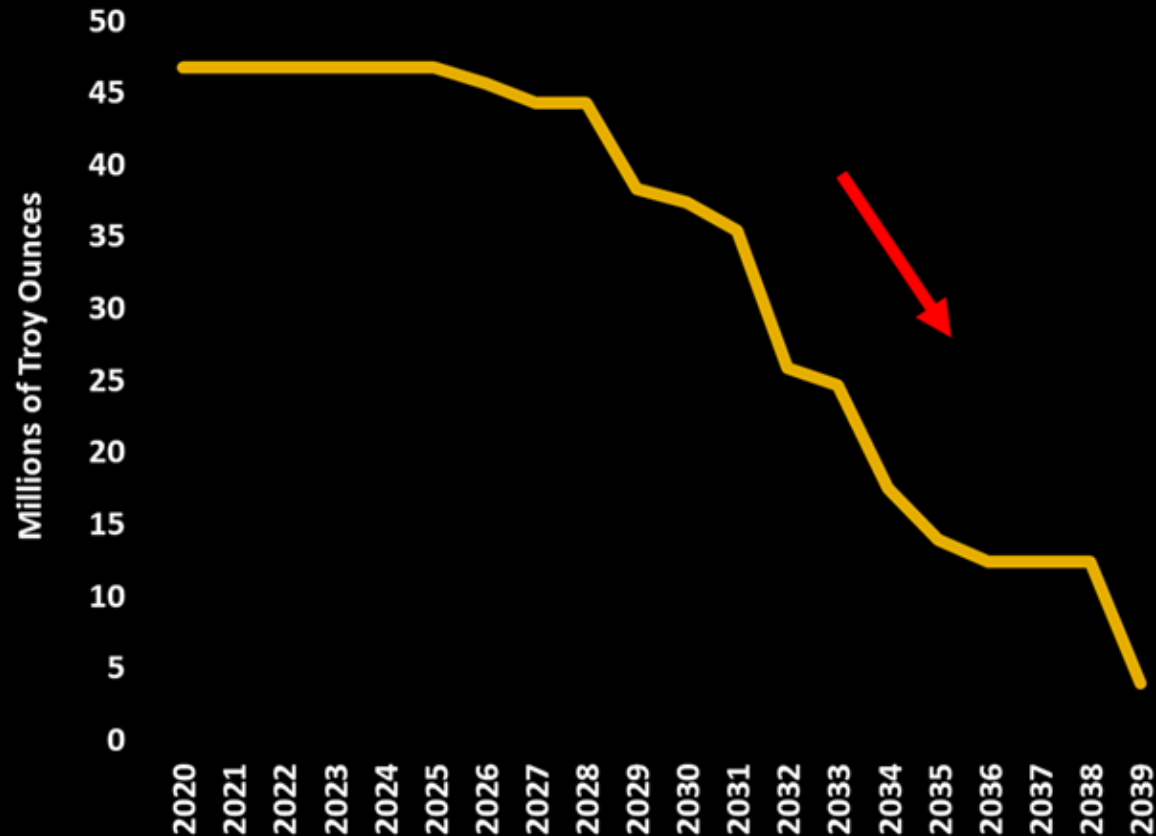
Gold's Last Bull Market

Gold had at least six large corrections in its last bull market.



Gold Supply Cliff

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

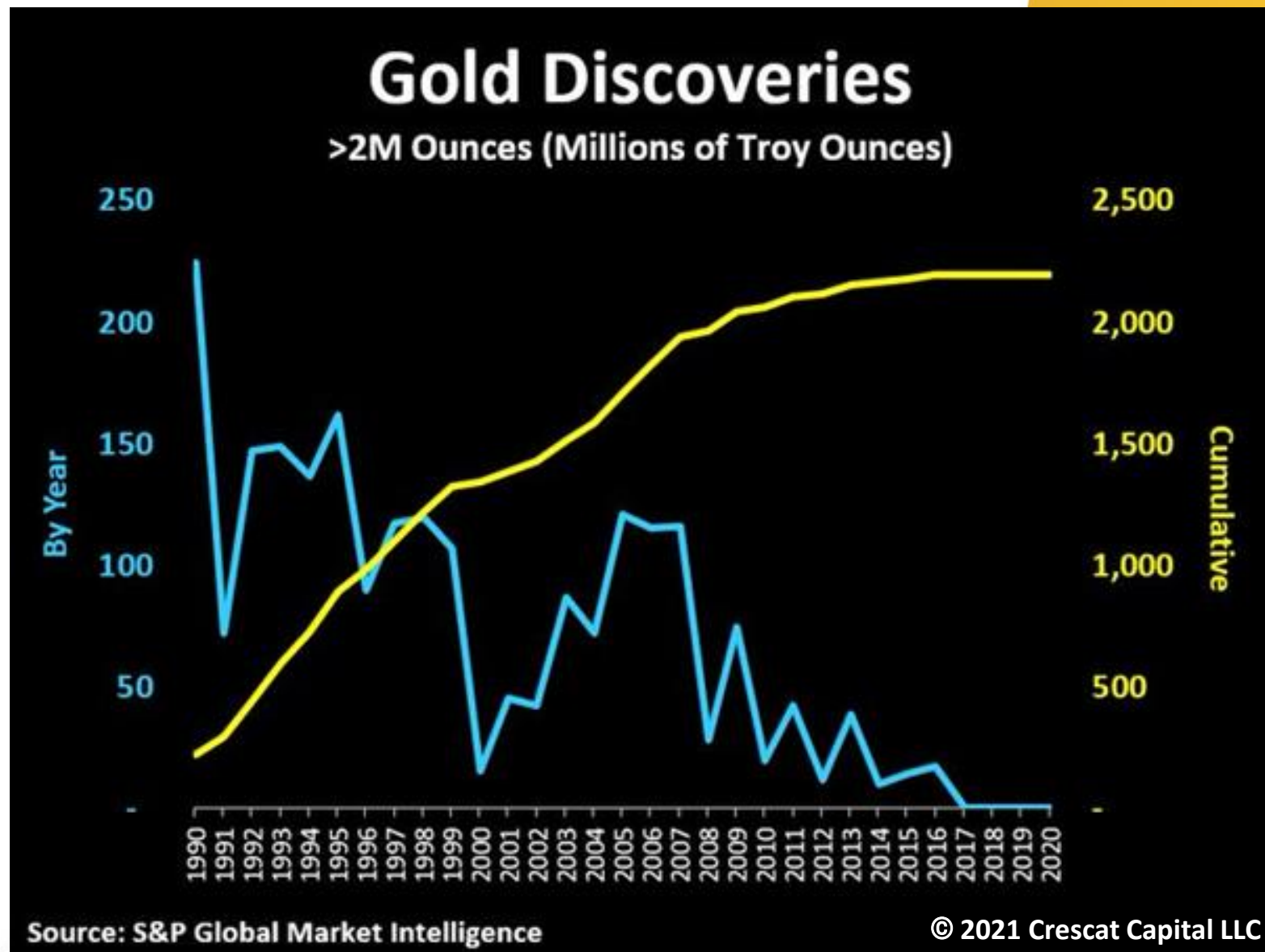


Source: S&P Global Market Intelligence

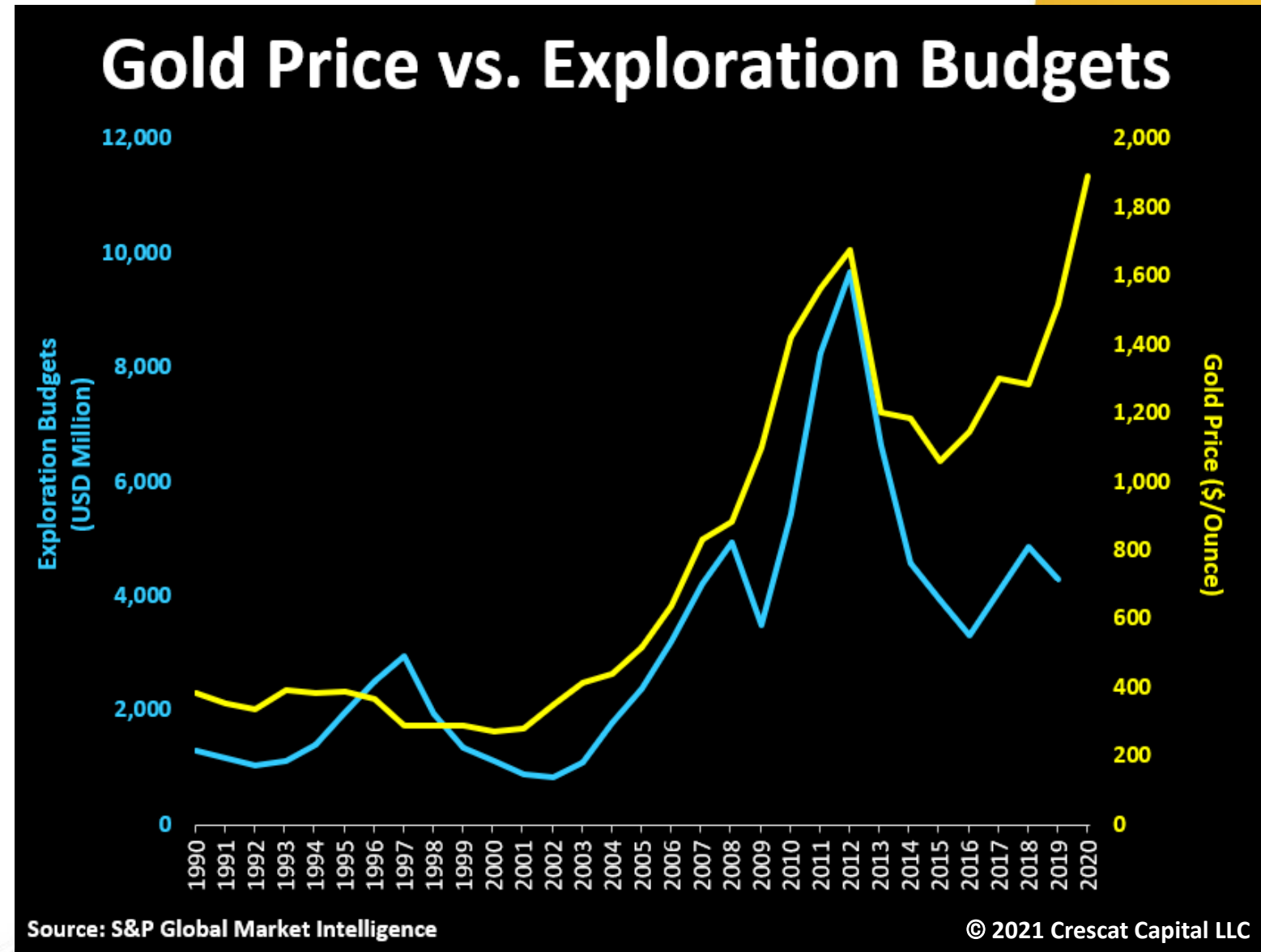
© 2021 Crescat Capital LLC

Majors have underinvested in exploration and must replace their reserves. Supply shortfall a macro positive for gold prices. Extremely bullish for junior explorers.

There were zero gold discoveries above 2 million ounces in the last 3 years. Precious metals companies are reluctant to spend capital even though gold prices have reached all-time highs.



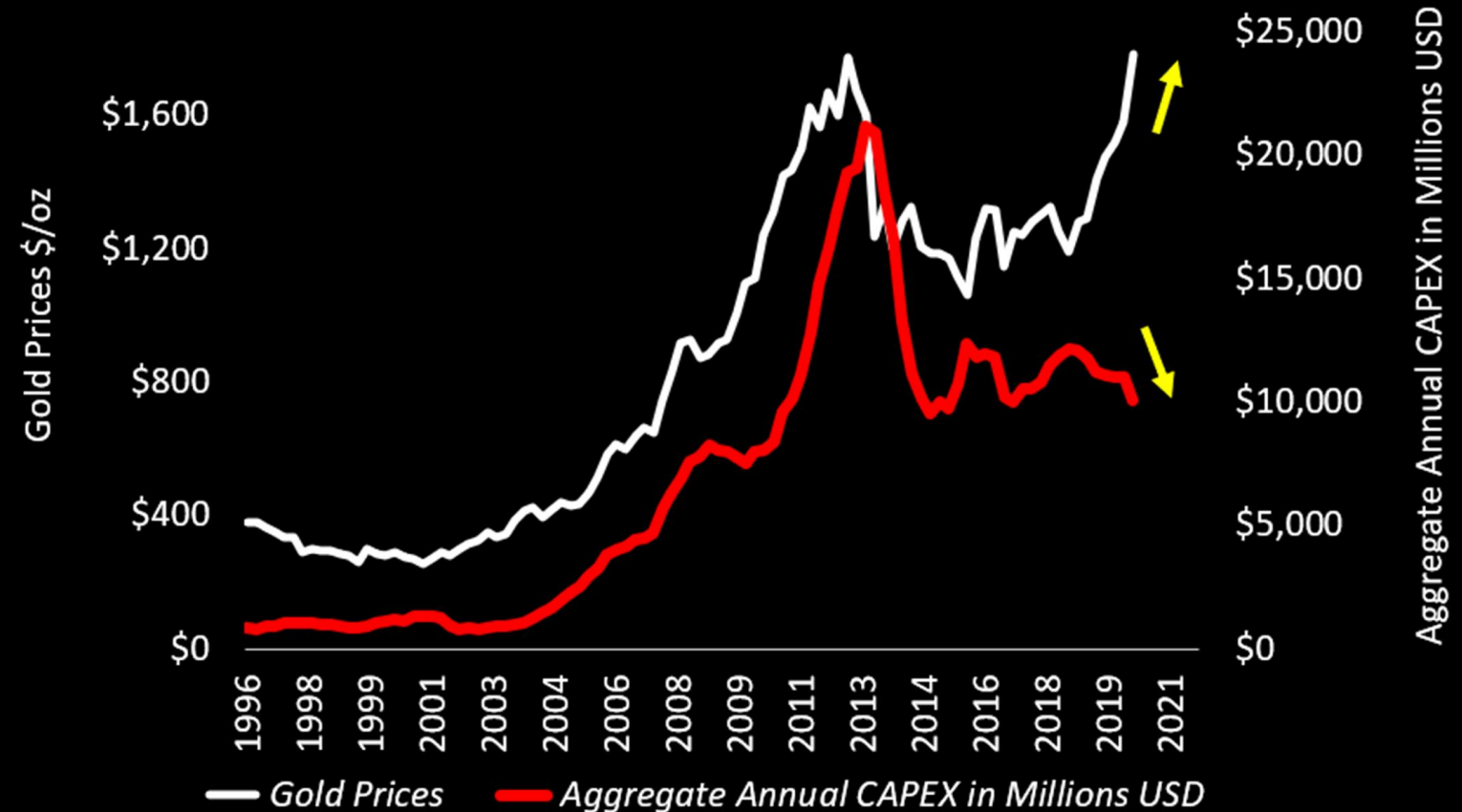
Exploration budgets and gold prices have been diverging for over 8 years.



Miners have been reluctant to spend capital even though gold prices have been moving higher. Thus, supply is constrained, an incredibly bullish fundamental backdrop for gold and silver.

Gold vs. Miners' CAPEX

Top 50 Miners by Market Cap in the Canadian & US Stock Exchanges



Source: Bloomberg

© 2021 Crescat Capital LLC



Silver Miners CAPEX Cycle

Aggregate Trailing 12-Month CAPEX in USD Millions



Source: Bloomberg

Universe: All Members of the SIL ETF

©2021 Crescat Capital LLC

Silver miners CAPEX is at a decade low while, in the last 12 months, \$25T of newly issued debt worldwide, \$9T of monetary stimulus by central banks, and \$18T of negative yielding bonds.



Gold Miners' Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value



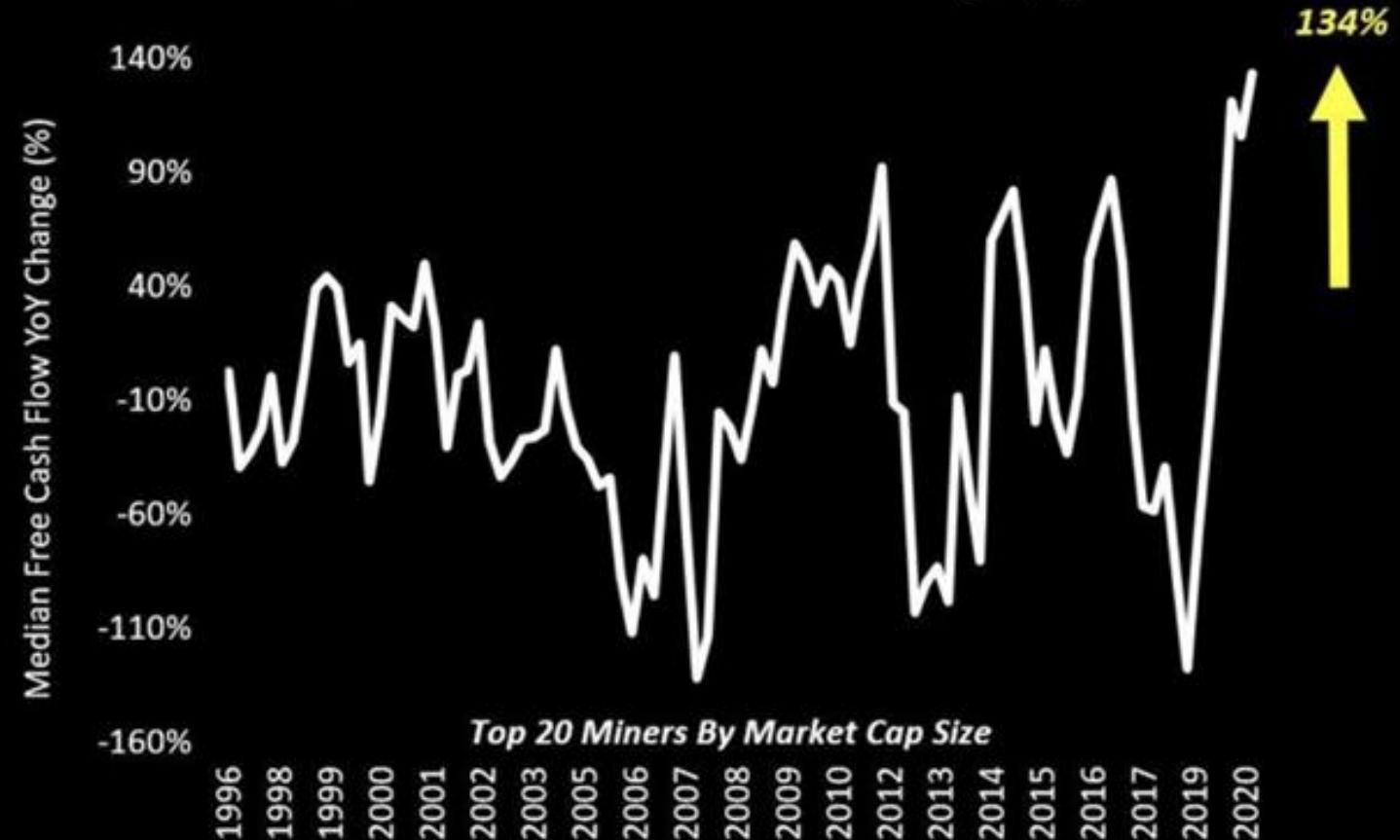
Source: Bloomberg

© 2021 Crescat Capital LLC

Gold and silver mining companies are the real beneficiaries of today's macro environment with strong balance sheets, high growth, and still incredible undervaluation.

Gold & Silver Miners

Median Free Cash Flow YoY Change (%)



Source: Bloomberg

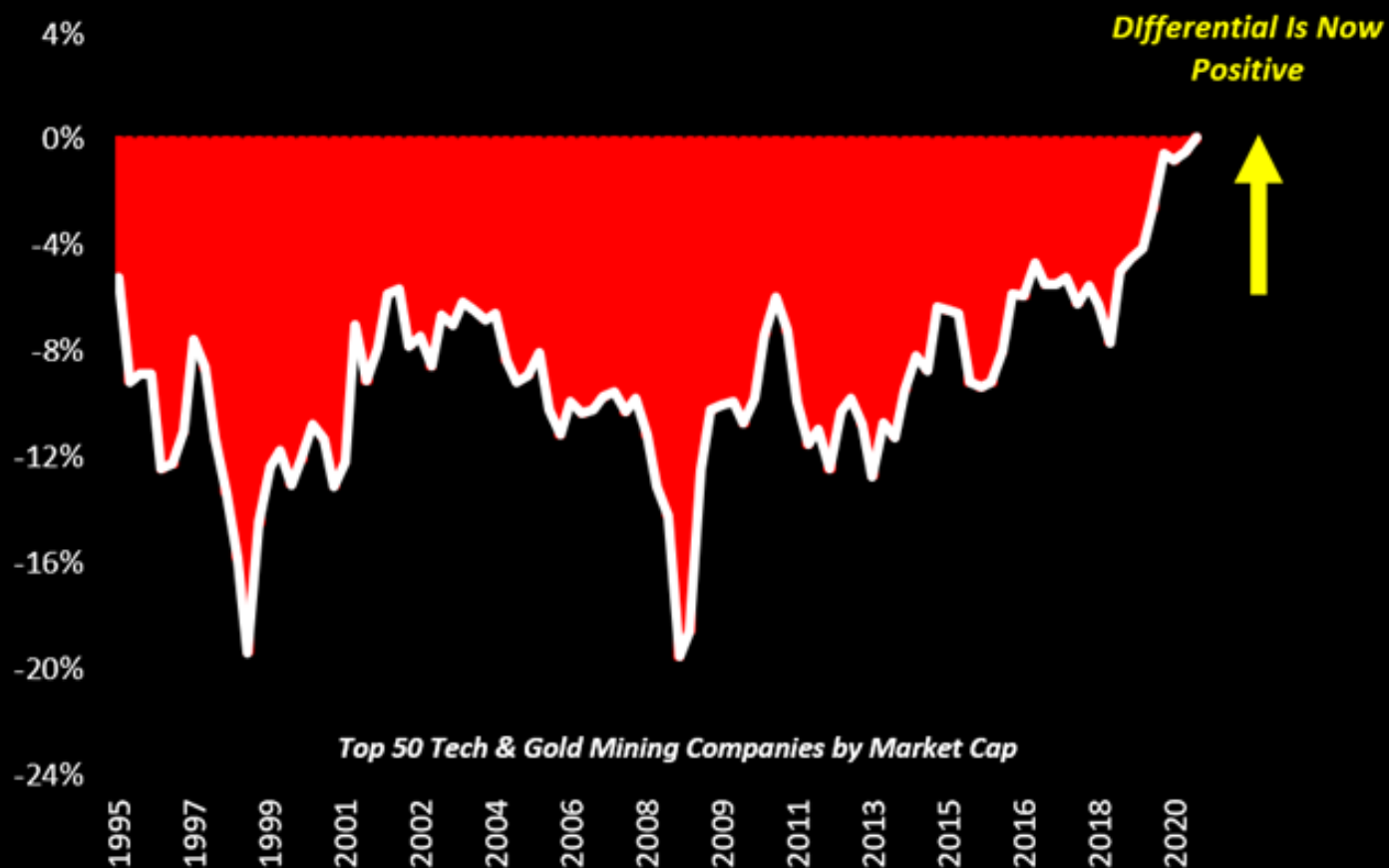
© 2021 Crescat Capital LLC

Free cash flow among the top 20 miners have grown by 134% year over year in their latest report.



Gold Miners vs. Tech Stocks Free Cash Flow Yield

Median Trailing 12-Month Free Cash Flow to Enterprise Value Differential

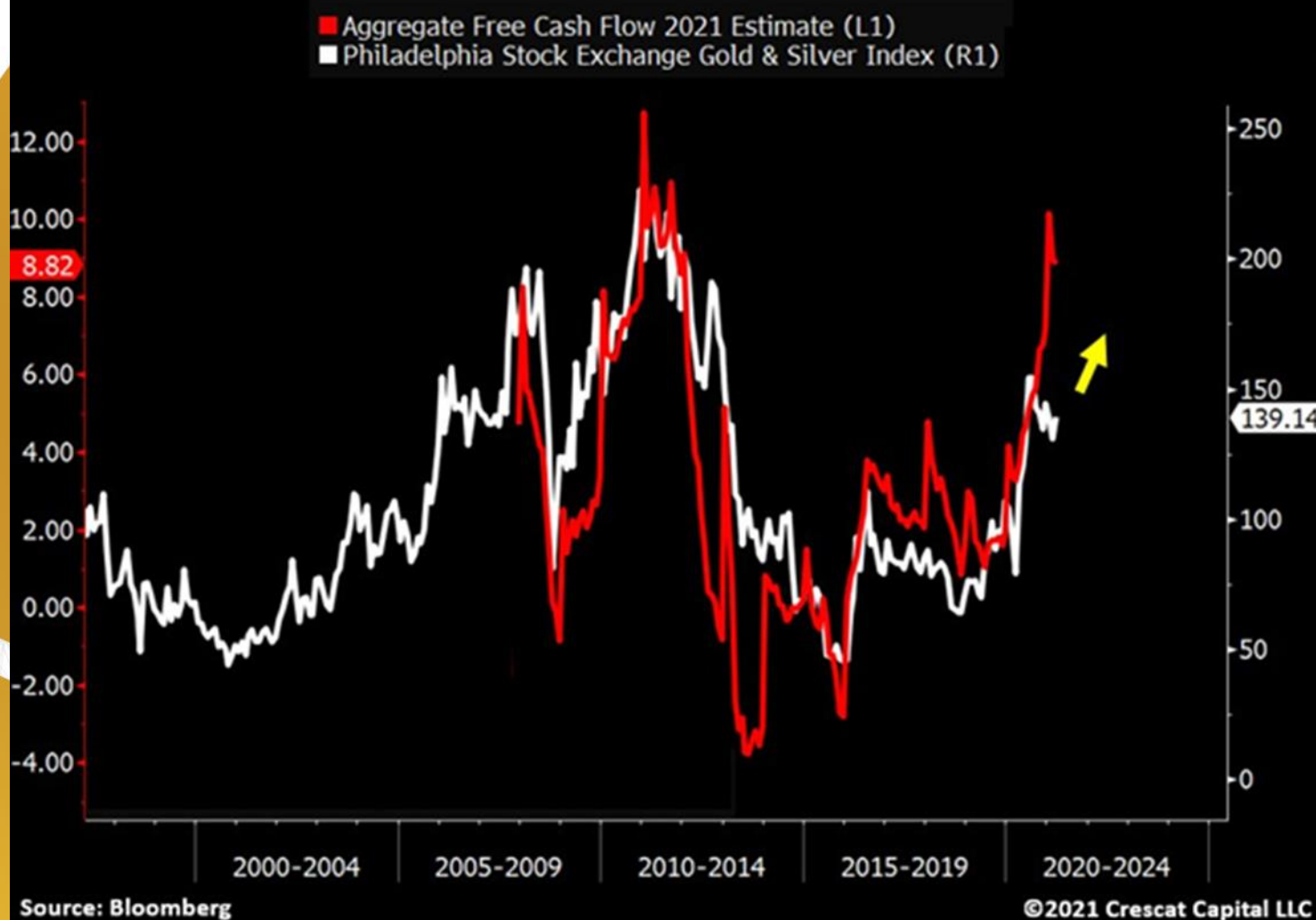


Source: Bloomberg

©2021 Crescat Capital LLC

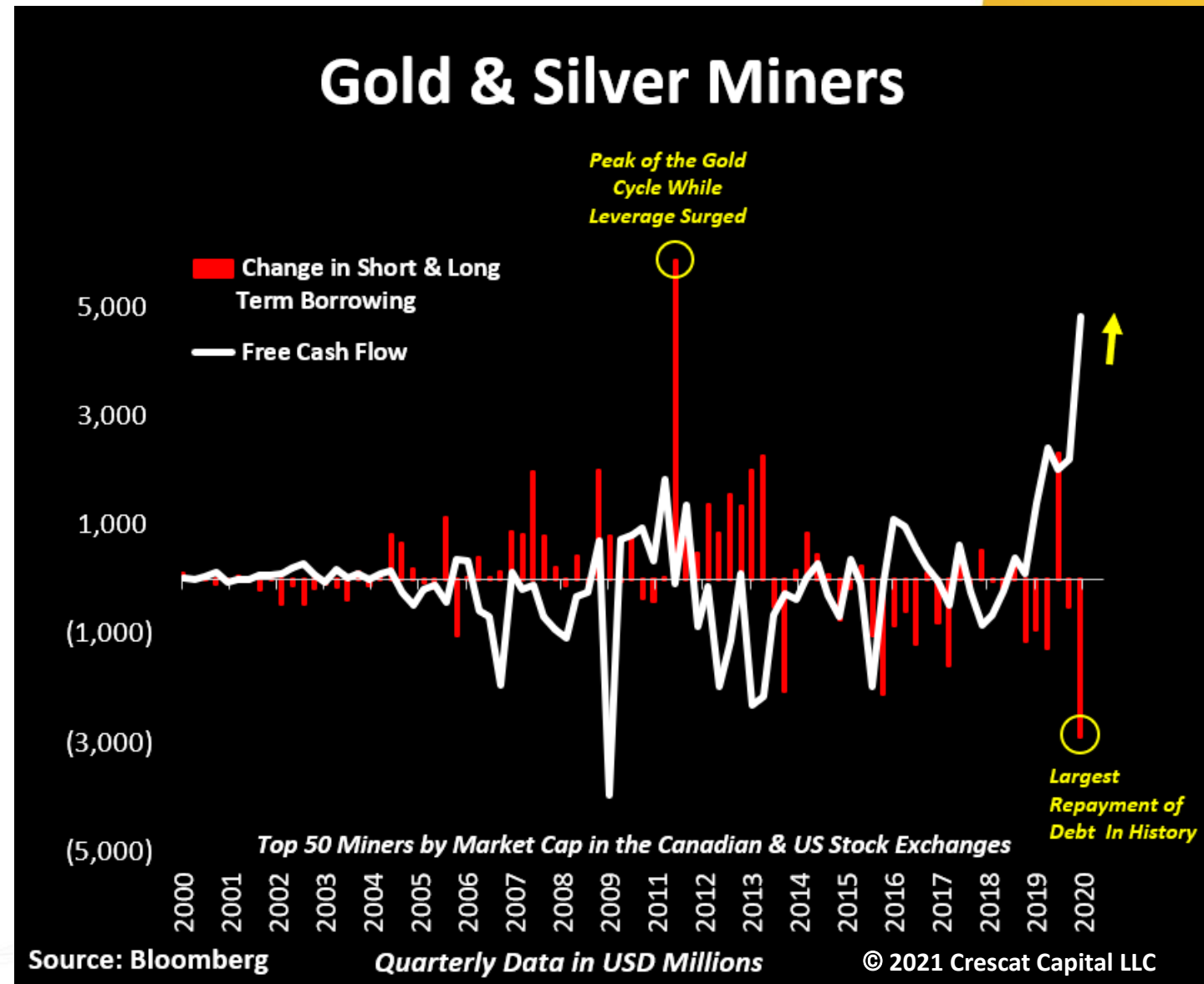
This is the first time in the last 30 years that miners trade at a higher free cash flow yield than tech companies.

Gold & Silver Miners vs. Free Cash Flow



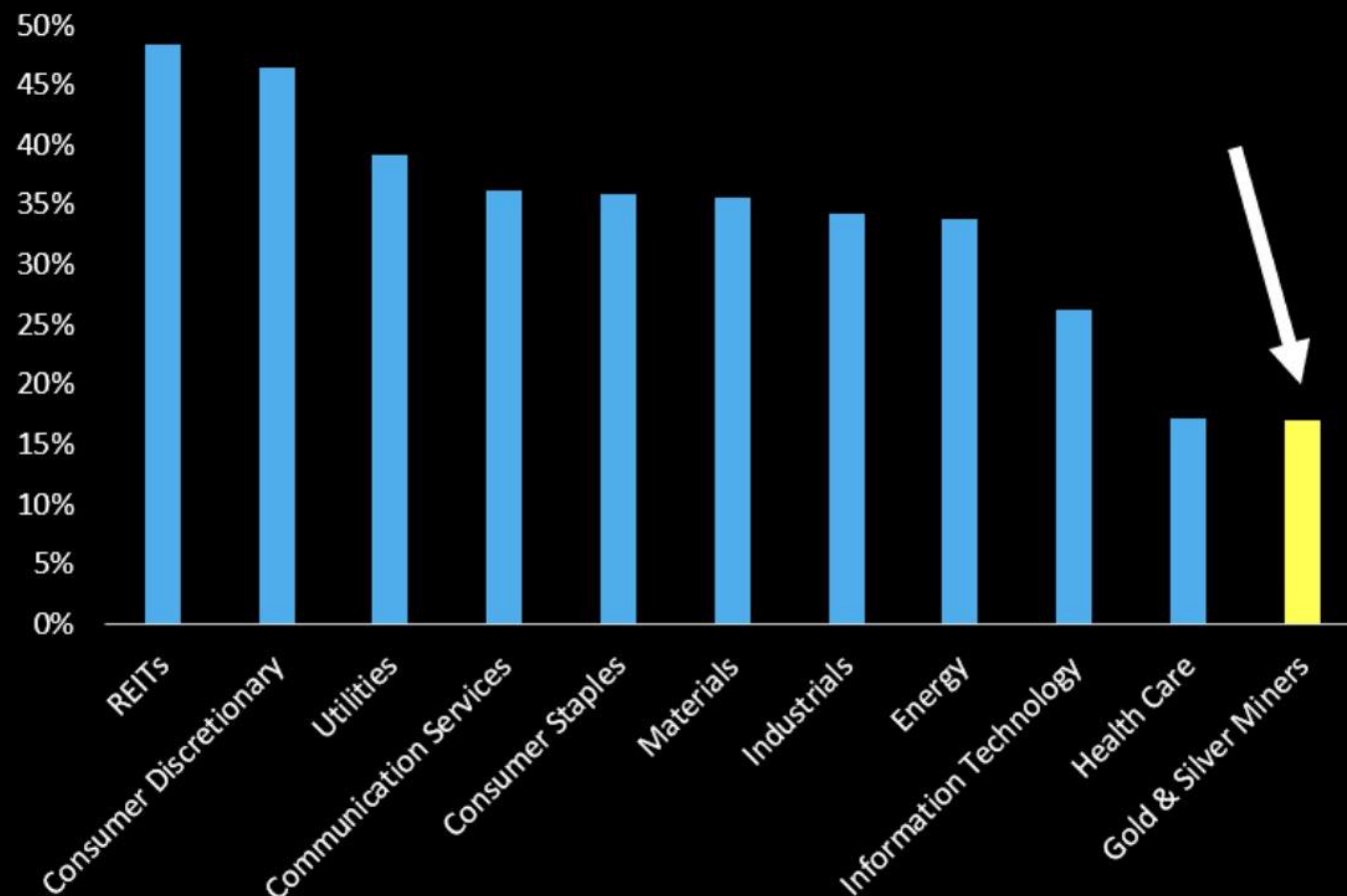
Gold and silver companies continue to report exceptionally strong fundamentals. Free-cash-flow estimate for miners keeps improving despite the recent correction in precious metals.

Gold & silver stocks just did their largest repayment of debt in history. They have never generated this much FCF in a quarter.



Median Total Debt to Assets Ratio

Russell 3000 Index & Top 50 Precious Metals Miners By Market Cap

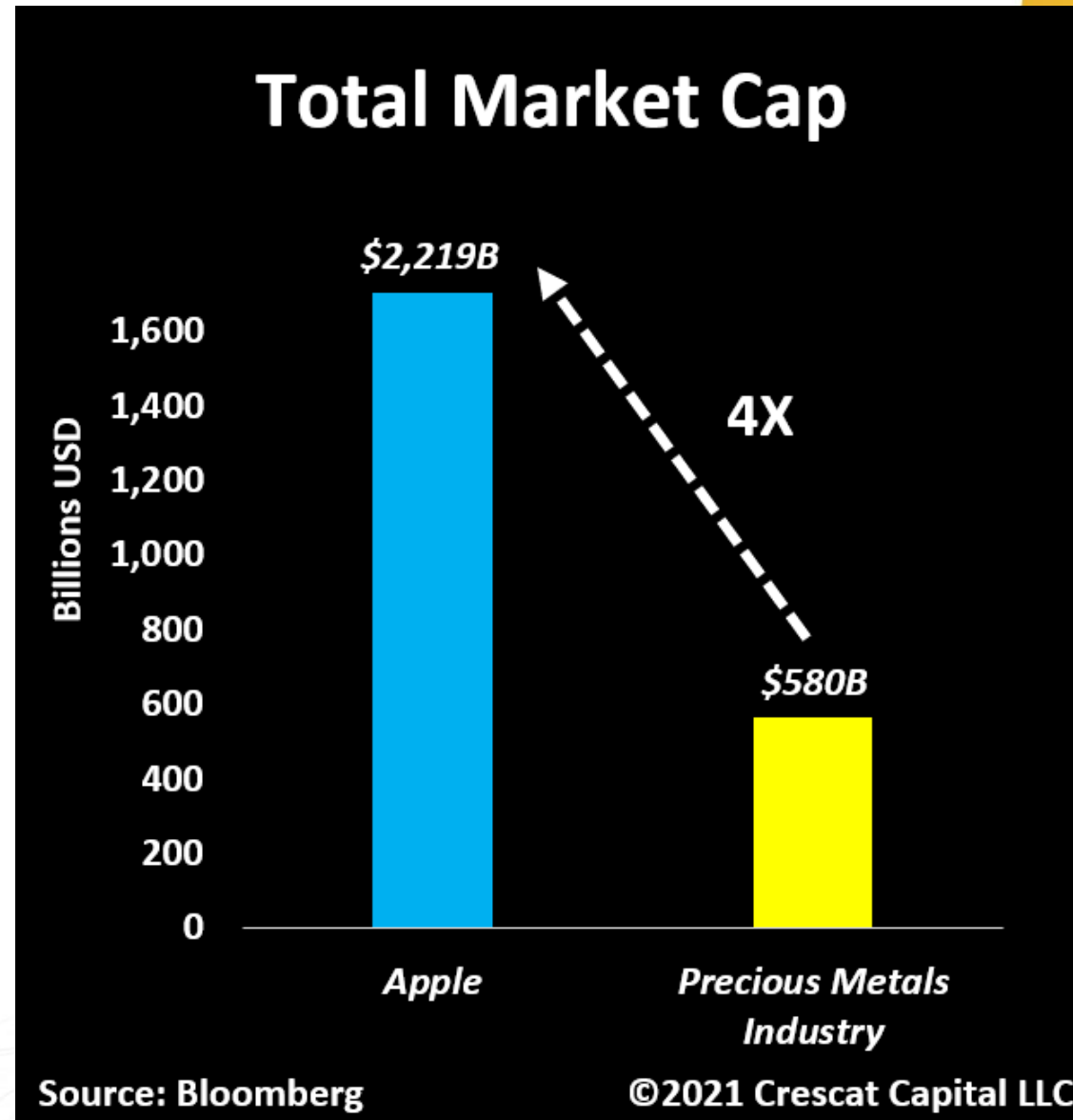


Source: Bloomberg

© 2021 Crescat Capital LLC

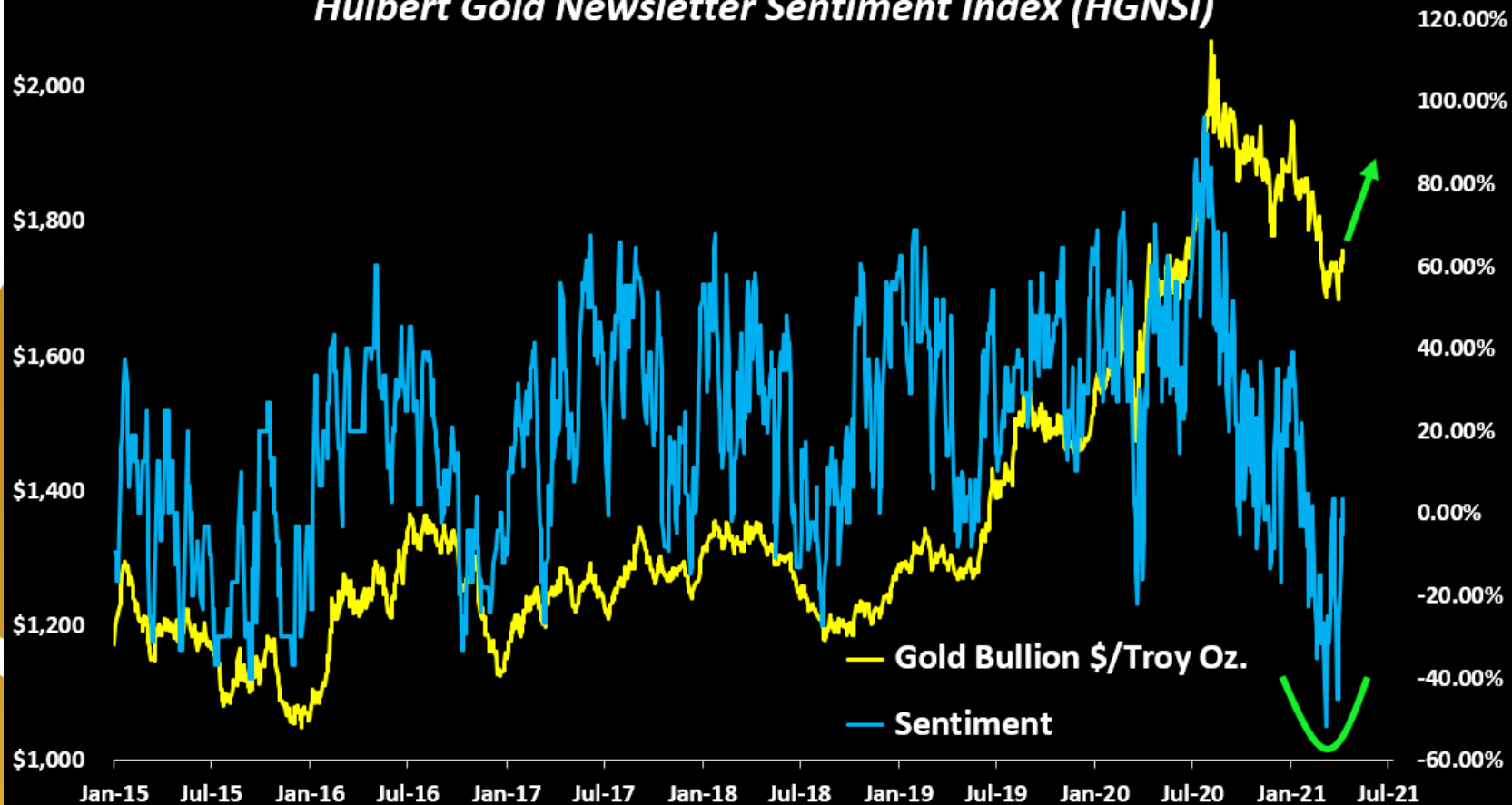
If precious metals stocks were a sector, they would have the cleanest balance sheets of them all.

The entire precious metals industry is dirt cheap. Apple's market cap is 4 times the size of the whole precious metals industry.



Gold Sentiment

Hulbert Gold Newsletter Sentiment Index (HGNSI)



Source: Hulbert Financial Digest

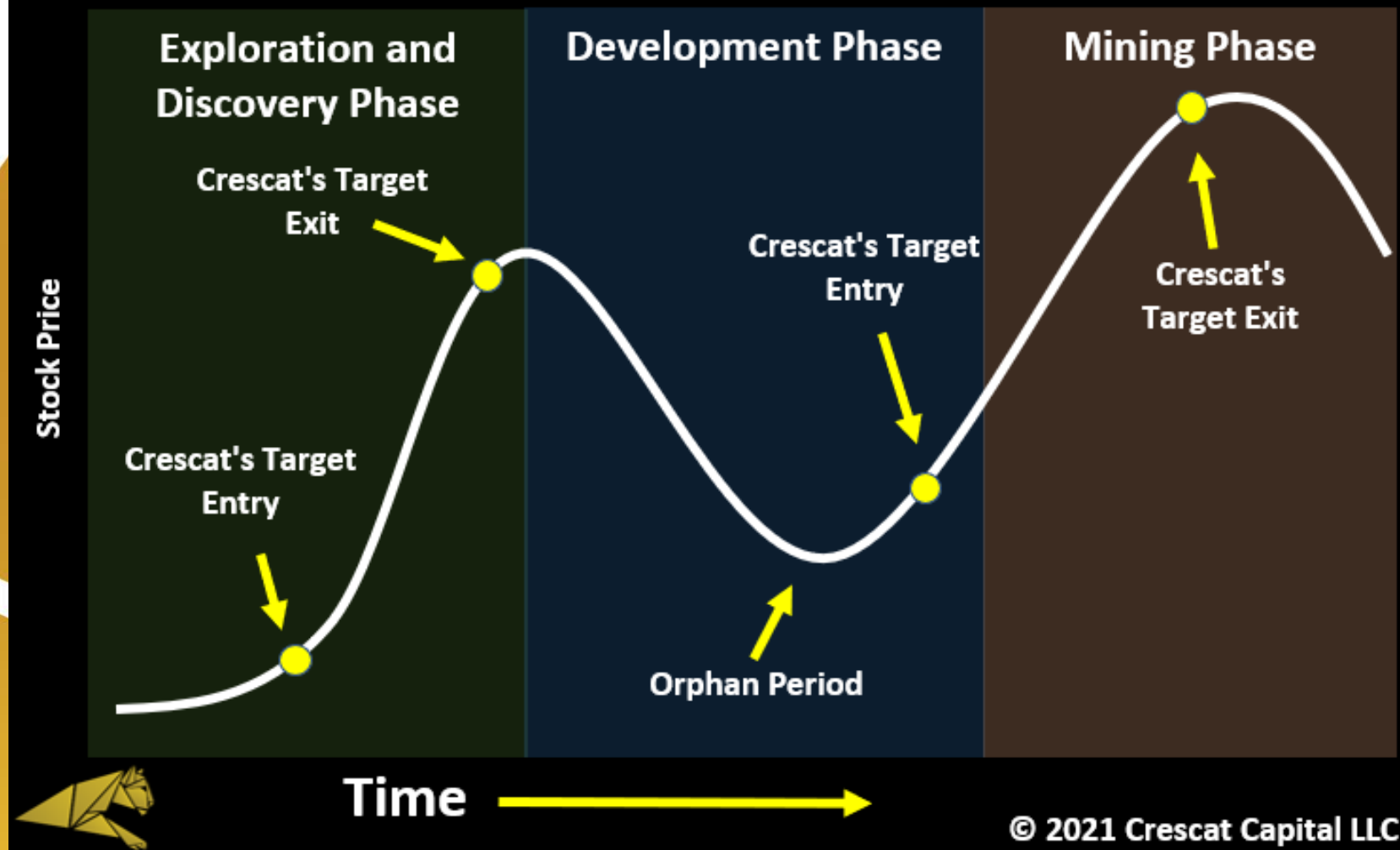
© 2021 Crescat Capital LLC

Gold sentiment became extremely negative recently, pulling gold prices down with it, a contrarian buy signal early in a new long-term inflation cycle.



Life Cycle of a Gold Mining Company

The Lasso Curve



Crescat's Lasso Curve displays our positioning in the precious metals mining industry. We seek to exploit mispriced opportunities on the exploration and discovery stage.

Eskay Mining, drilling for real gold and silver, outperformed bitcoin in 2020. Crescat led 3 rounds of funding for Eskay, \$ESK.CV.



Eloro vs. Bitcoin 1-Yr (Base 100)



Eloro Resources, another Crescat holding, also beat out Bitcoin in 2020. \$ELO.V

Tin (Sn) \$29,000 per Tonne LME Spot

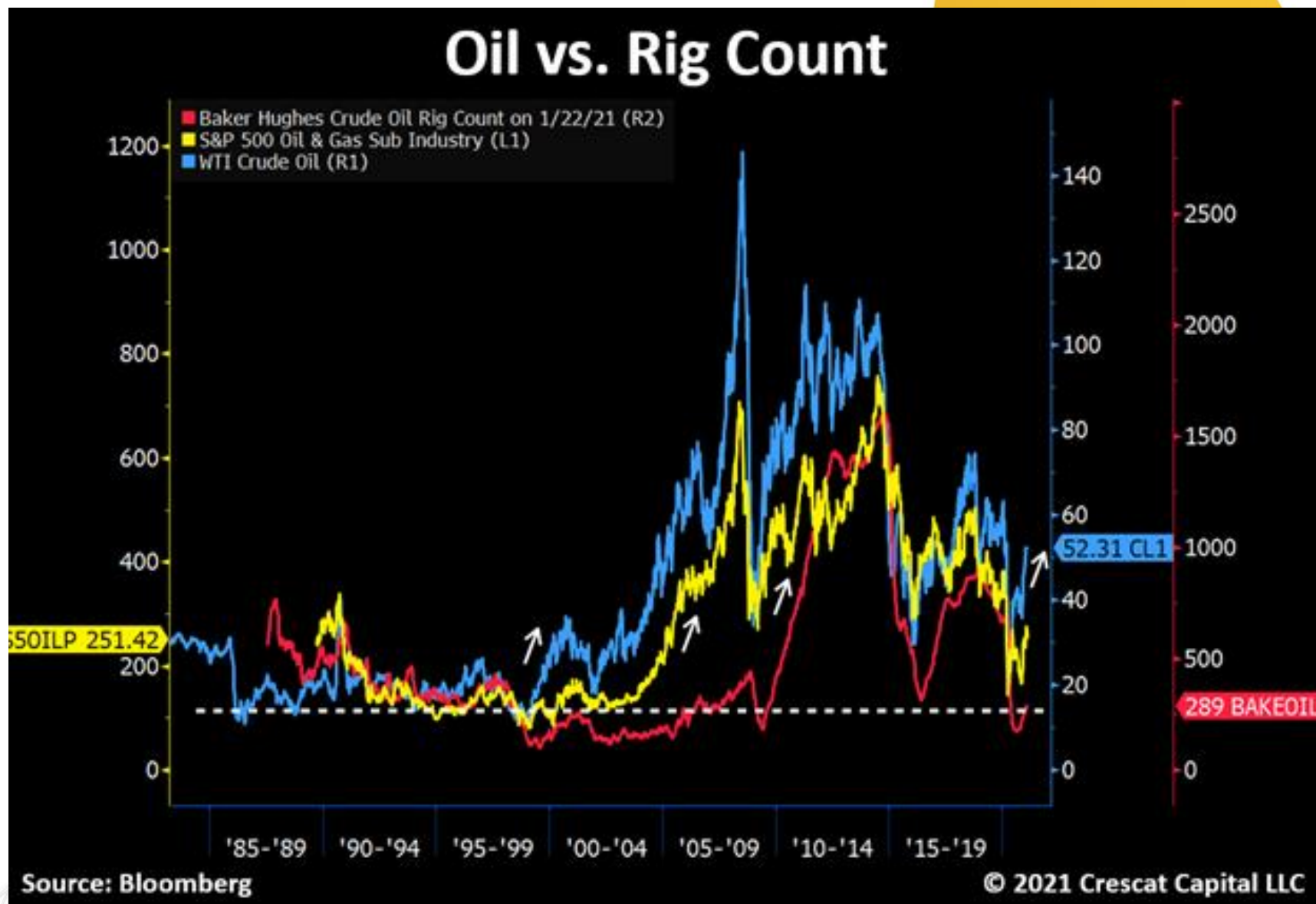


Source: Bloomberg

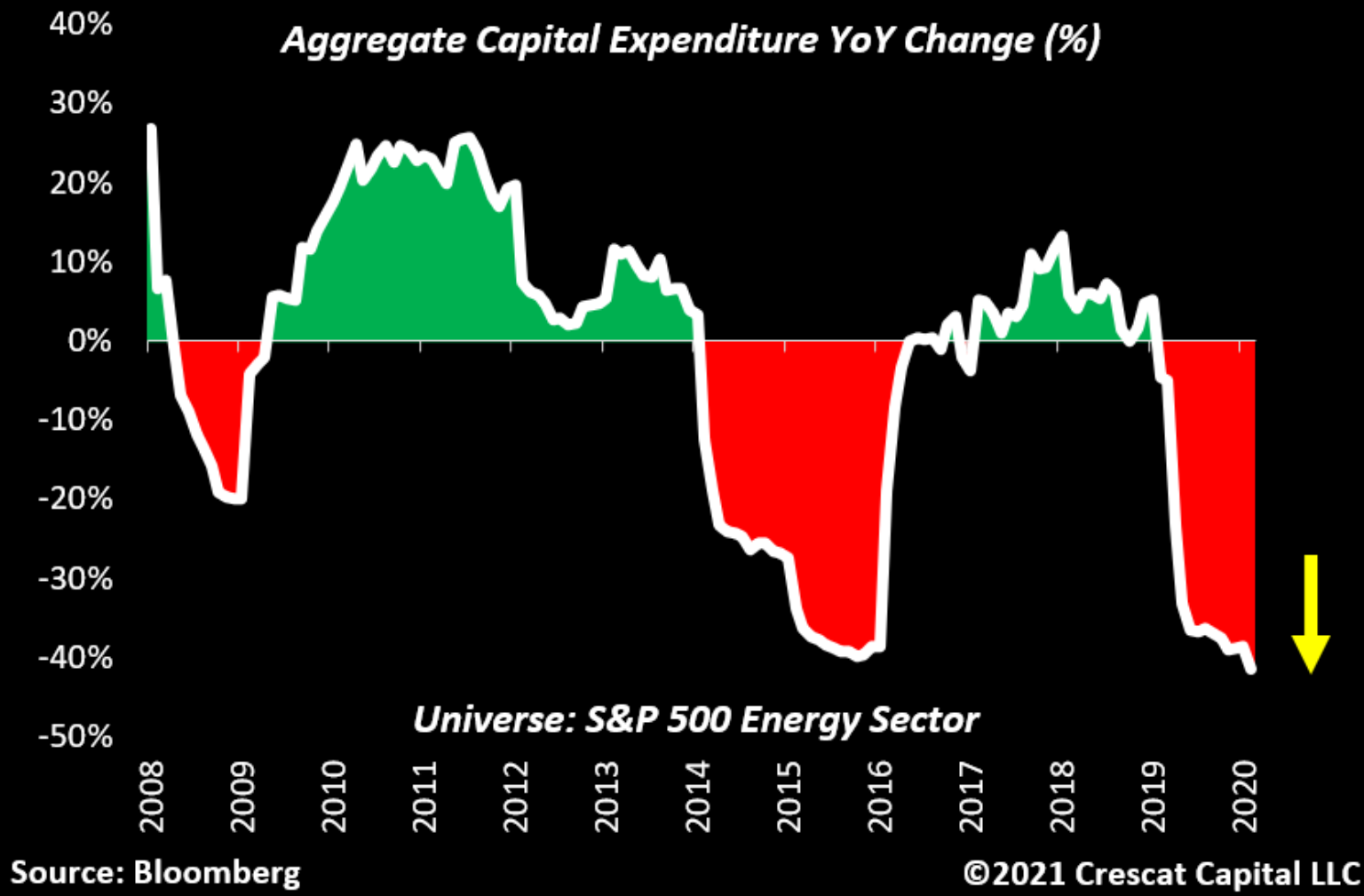
© 2021 Crescat Capital LLC

Eloro sits on top of a deeper tin-silver-gold porphyry.

There could be a supply shortage in oil setting up for the next several years after the most drastic capex cuts in infrastructure and exploration we have seen in the history of this industry.



Energy Sector Capex Cycle



The same way the precious metals mining industry is reluctant to spend capital, oil companies are perhaps even more so. CAPEX for the S&P 500 energy sector is now falling at its steepest level in the last 12 years.

US Oil Production

52-Week Average YoY Change (%)



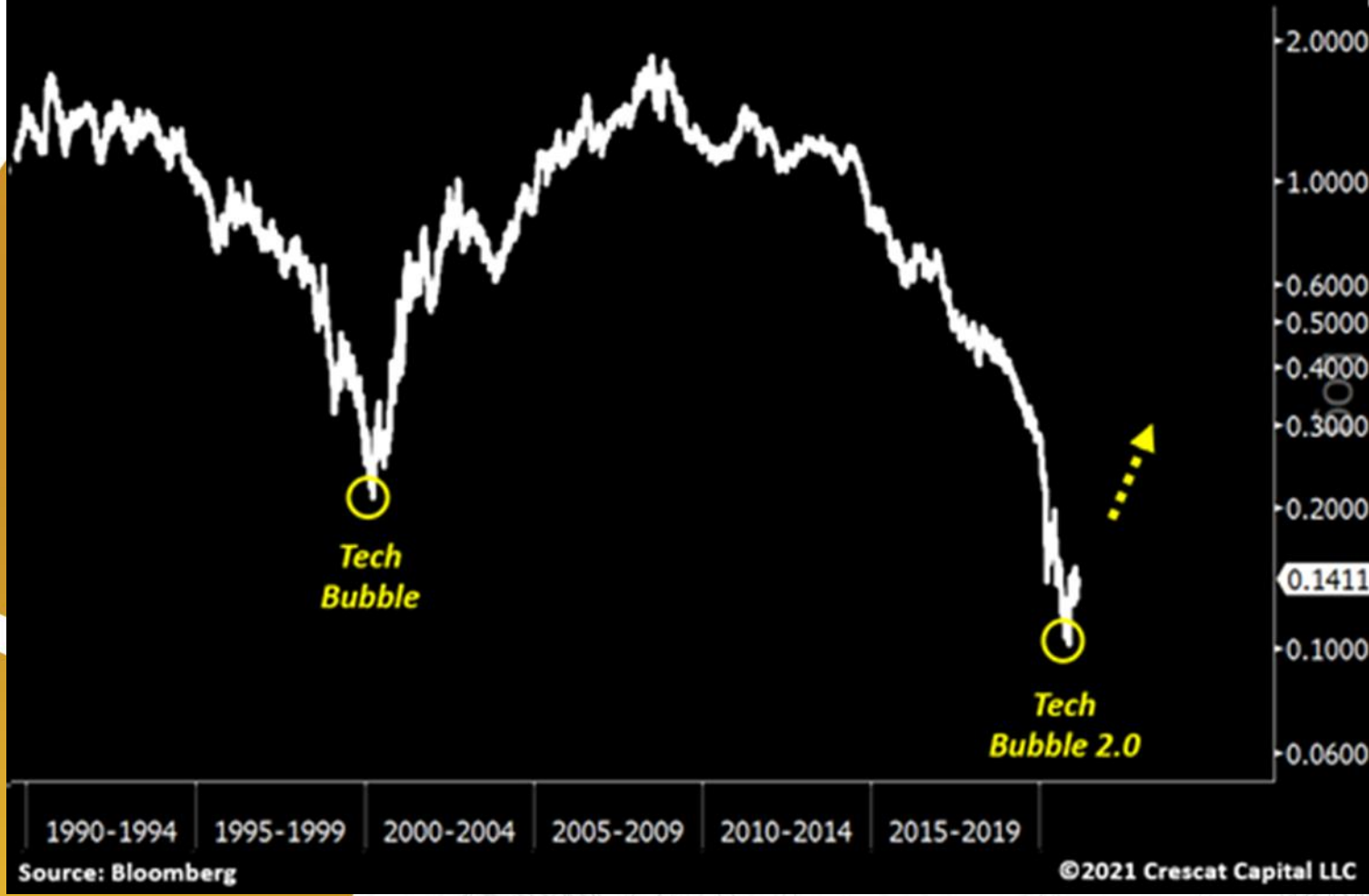
Source: US Department of Energy

©2021 Crescat Capital LLC

Along with the recent production cuts by OPEC of 1 million barrels a day, US oil production is also in free fall.

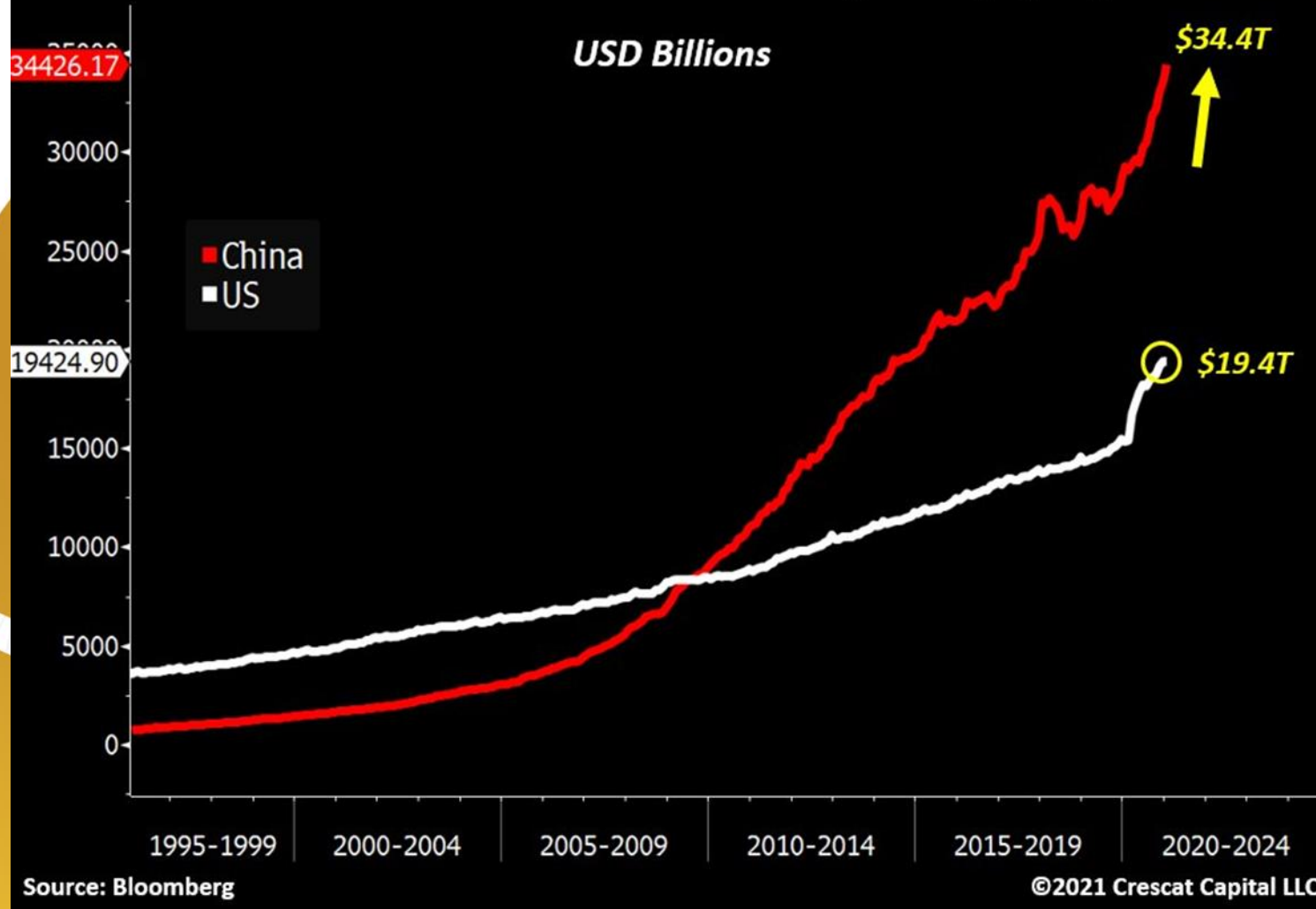


Energy vs. Tech Stocks



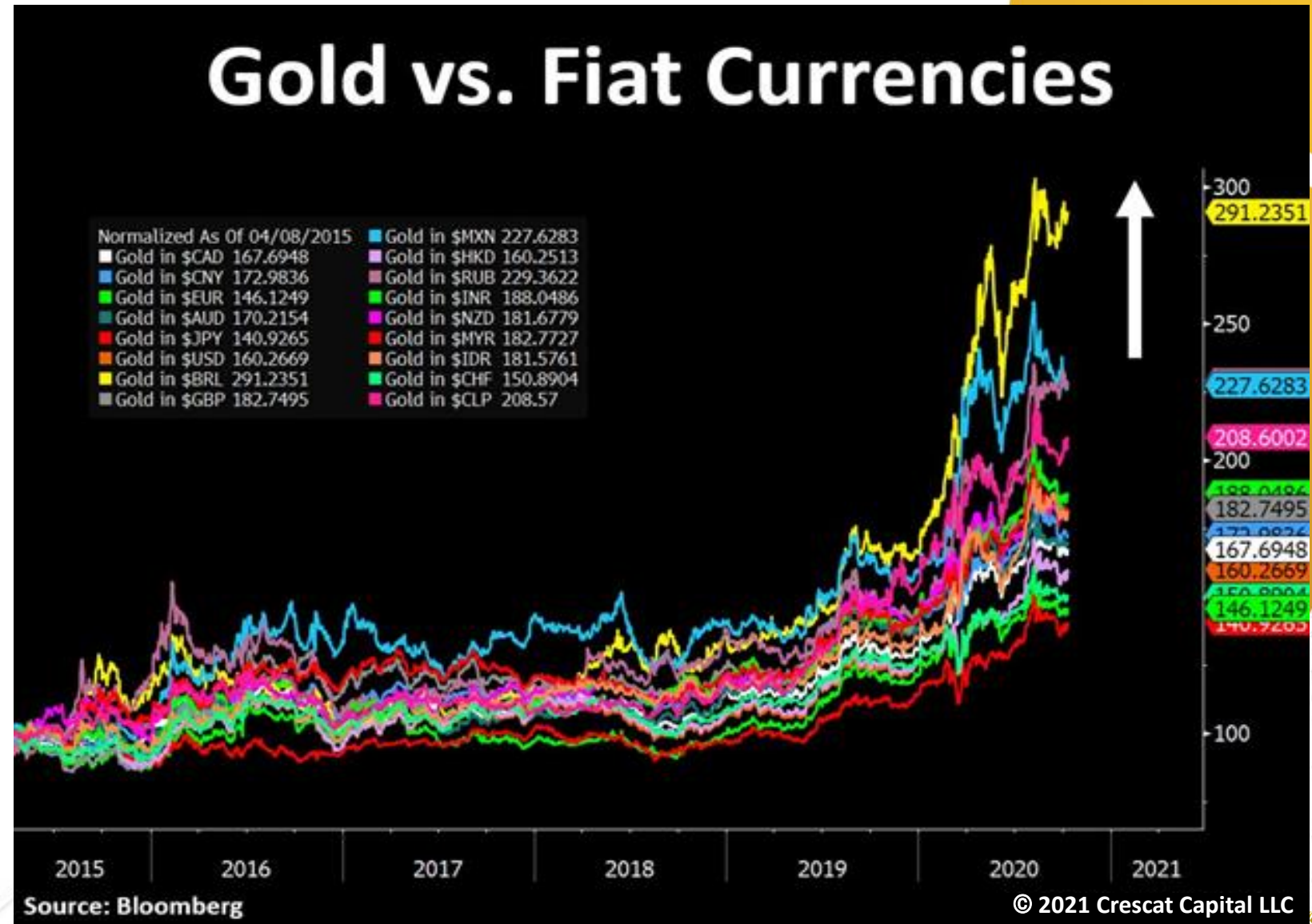
The value proposition for buying still historically undervalued oil companies relative to high-flying tech names remains incredibly attractive.

US vs. China Money Supply



China's money supply is now 81% higher than the US.

Fiat currencies around the world are in a race to the bottom. The price of gold has been rising across all of them.





Crescat Capital LLC
1560 Broadway, Suite 2270 | Denver, CO 80202

Marek Iwahashi

Client Service Specialist
(303) 271-9997 | miwahashi@crescat.net

Cassie Fischer

Client Service Specialist
(303) 350-4000 | cfischer@crescat.net