CRESCAT CAPITAL®

THE VALUE OF GLOBAL MACRO INVESTING

MACRO PRESENTATION

Important Disclosures

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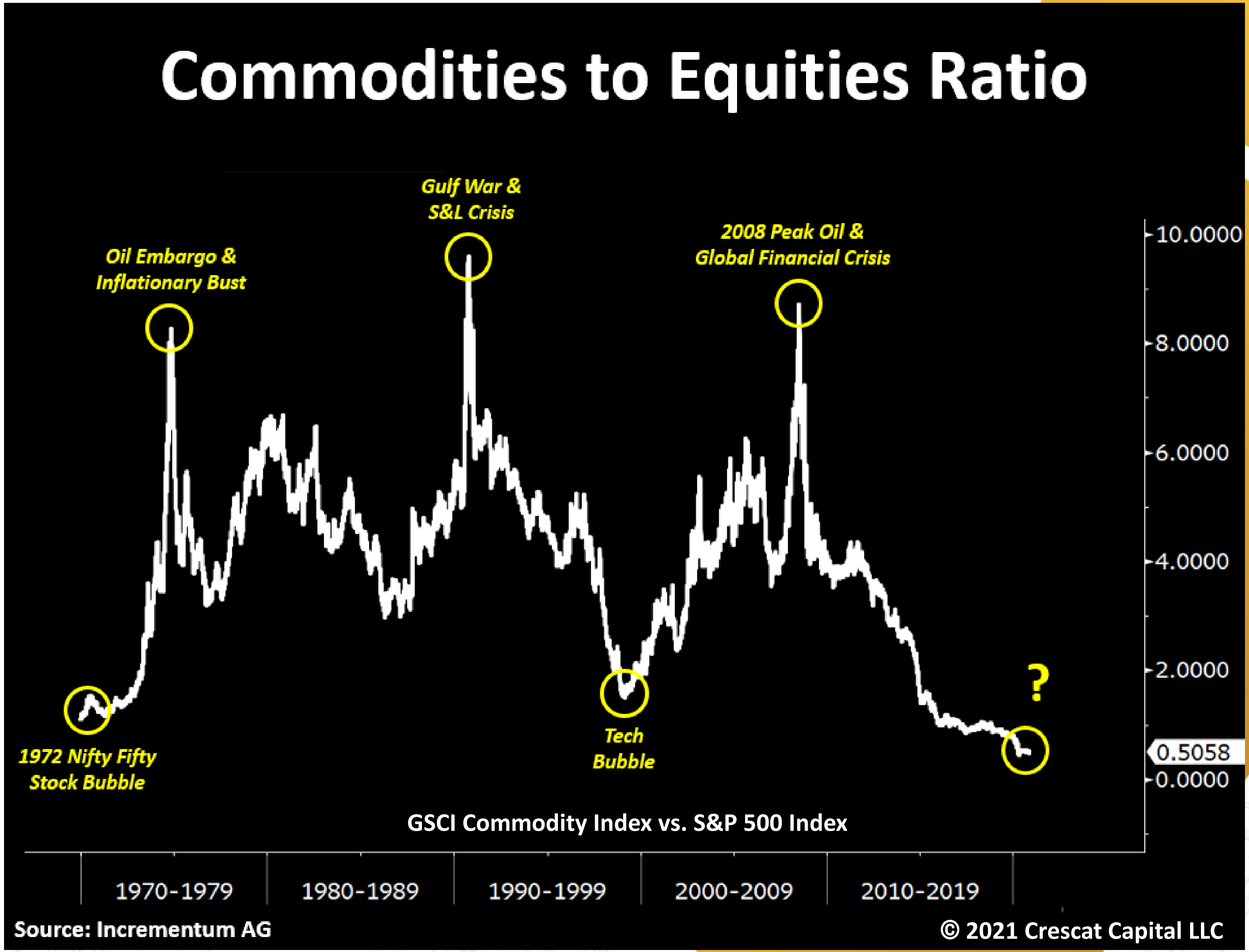
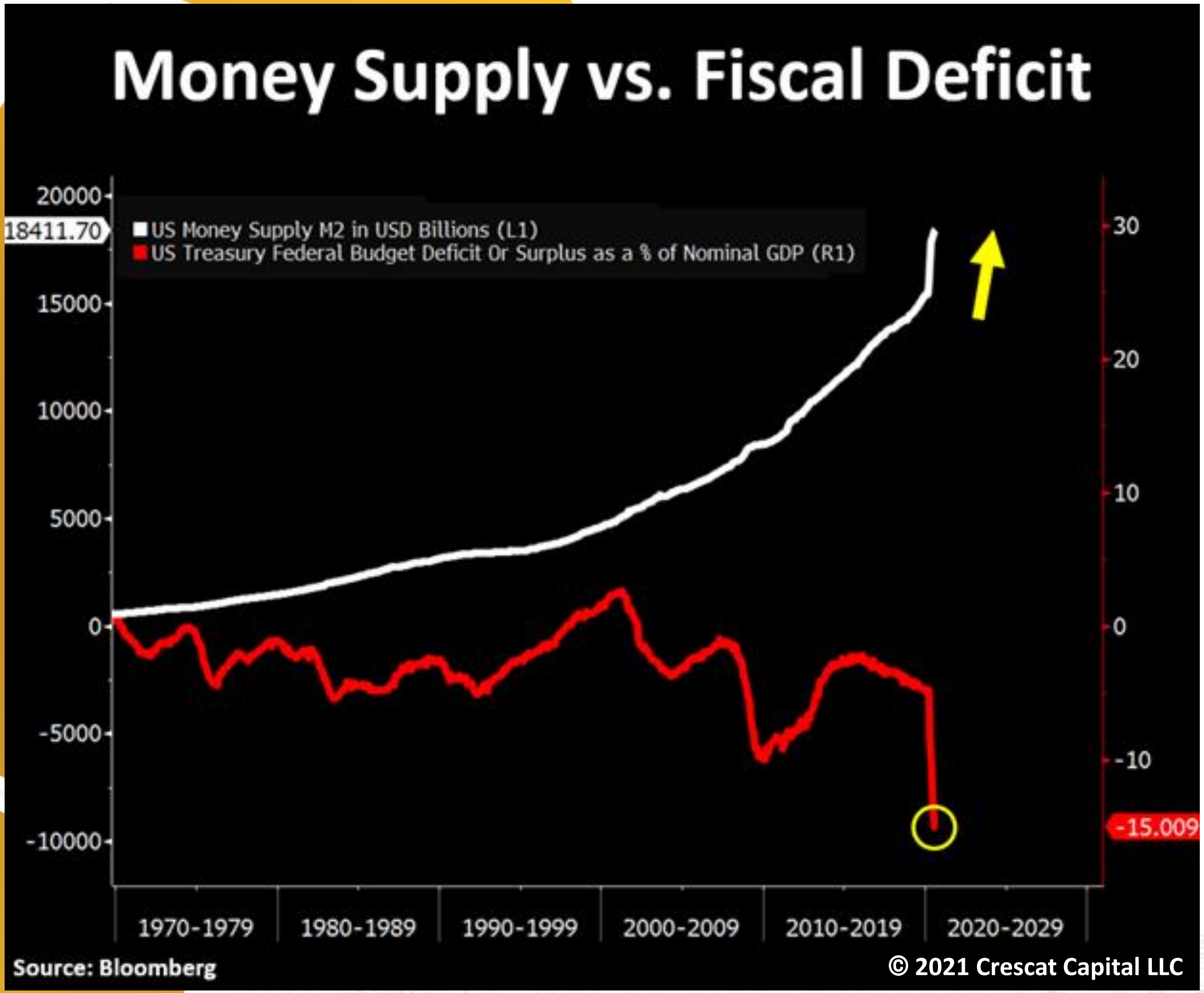
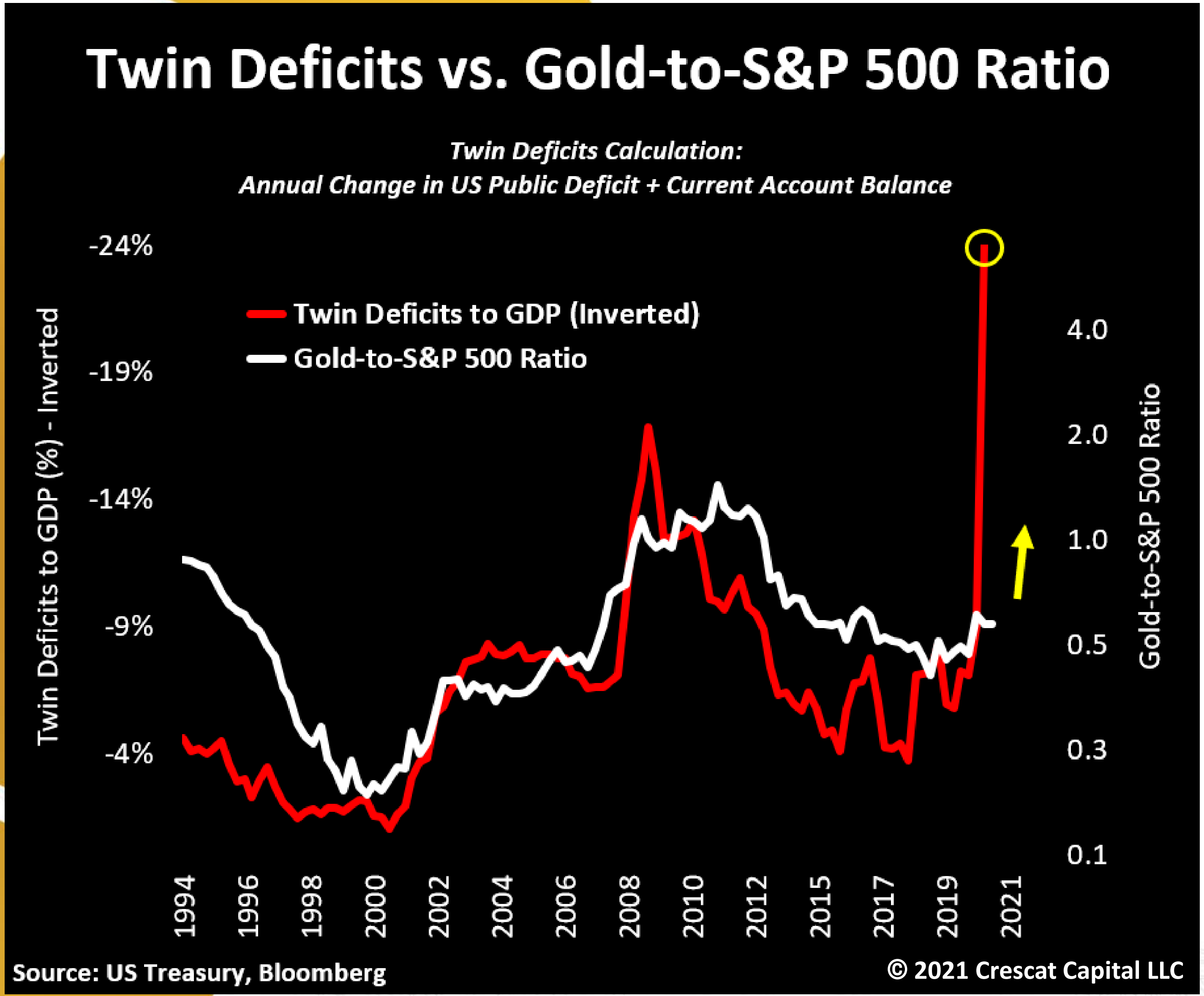
The commodity-to-equity ratio is at a 50-year low.





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



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.

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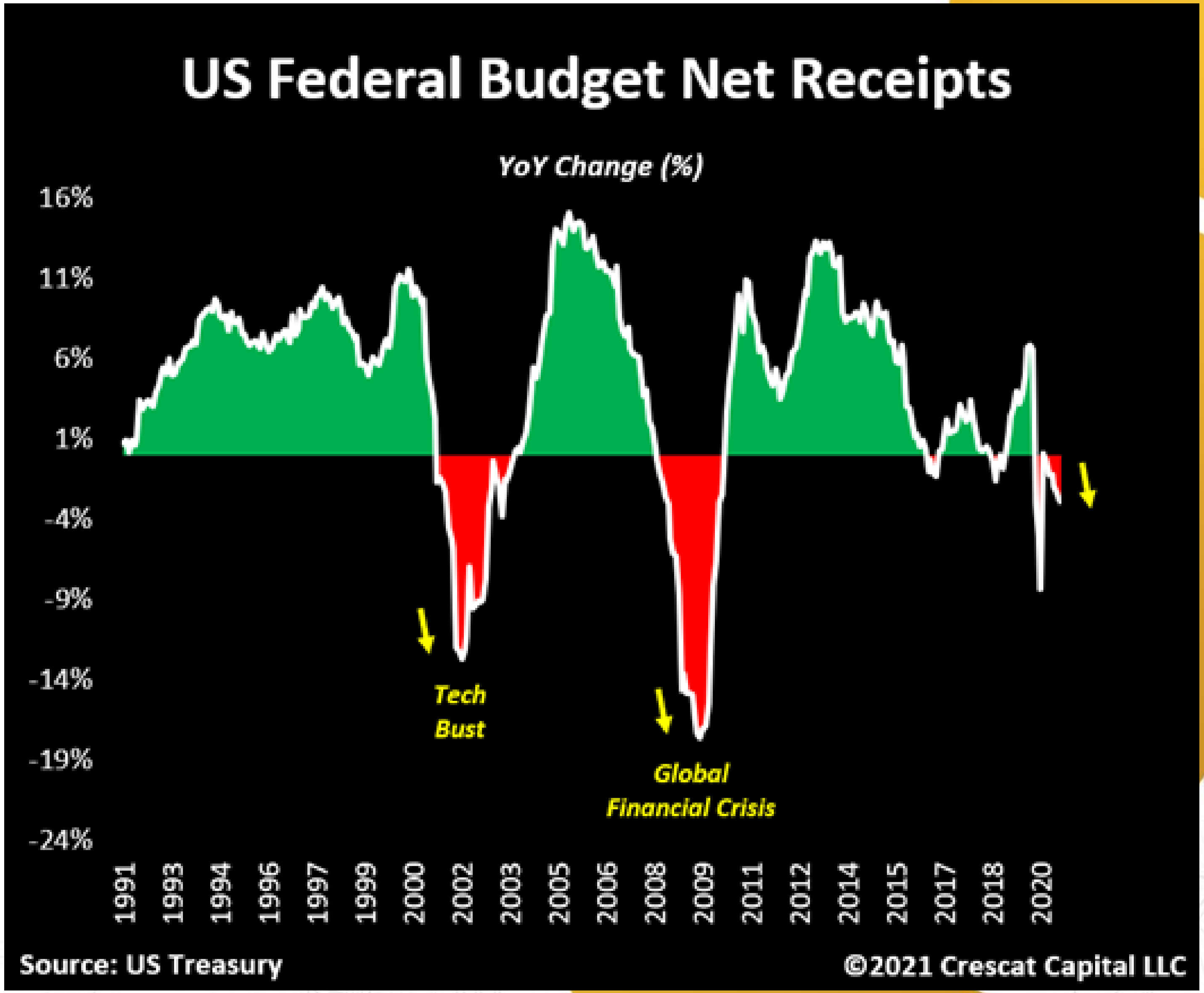
Not only is fiscal spending surging but US Federal net receipts are also starting to turn lower again. As of January 2021, US federal receipts are down -3% on a year over year basis.



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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.

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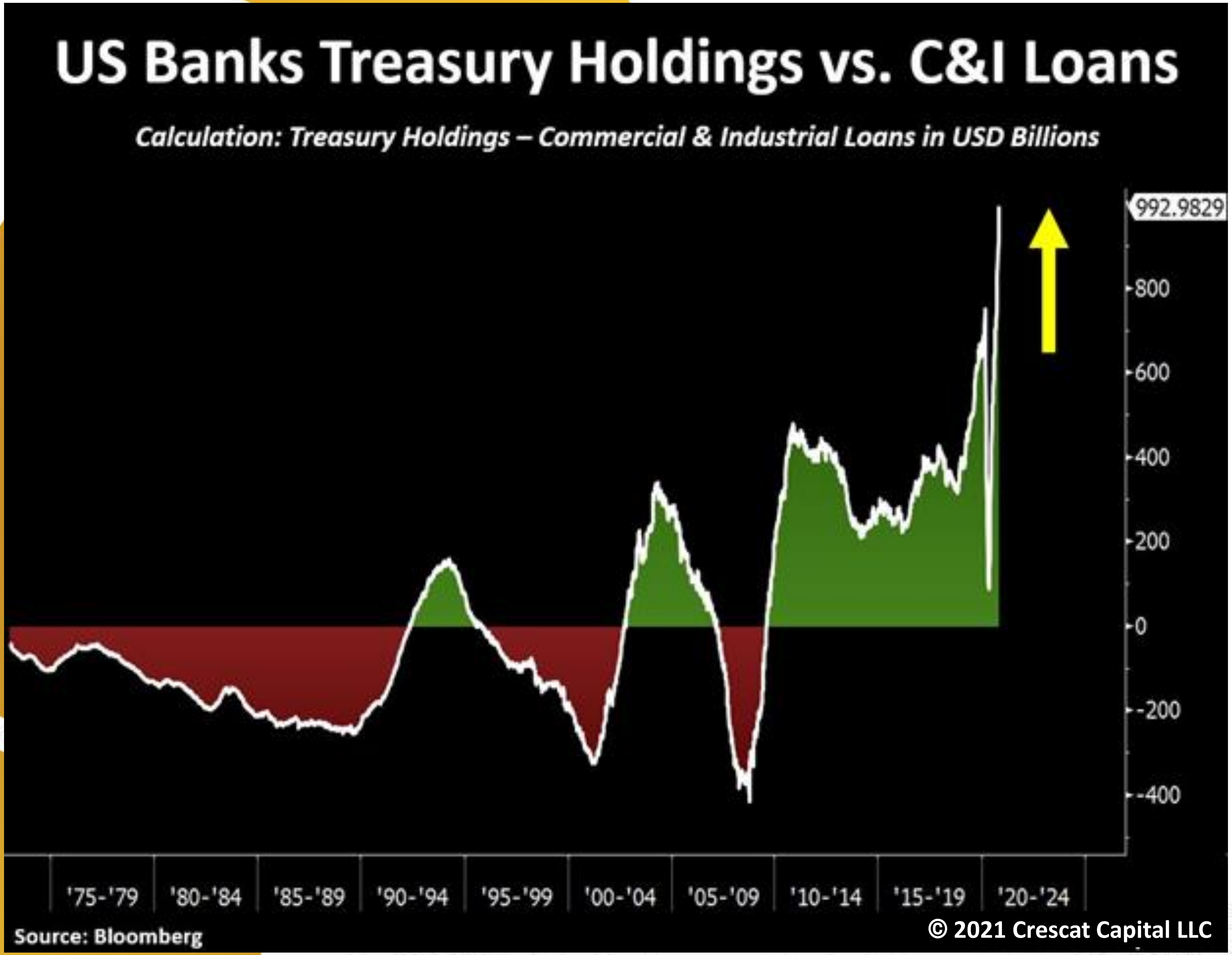
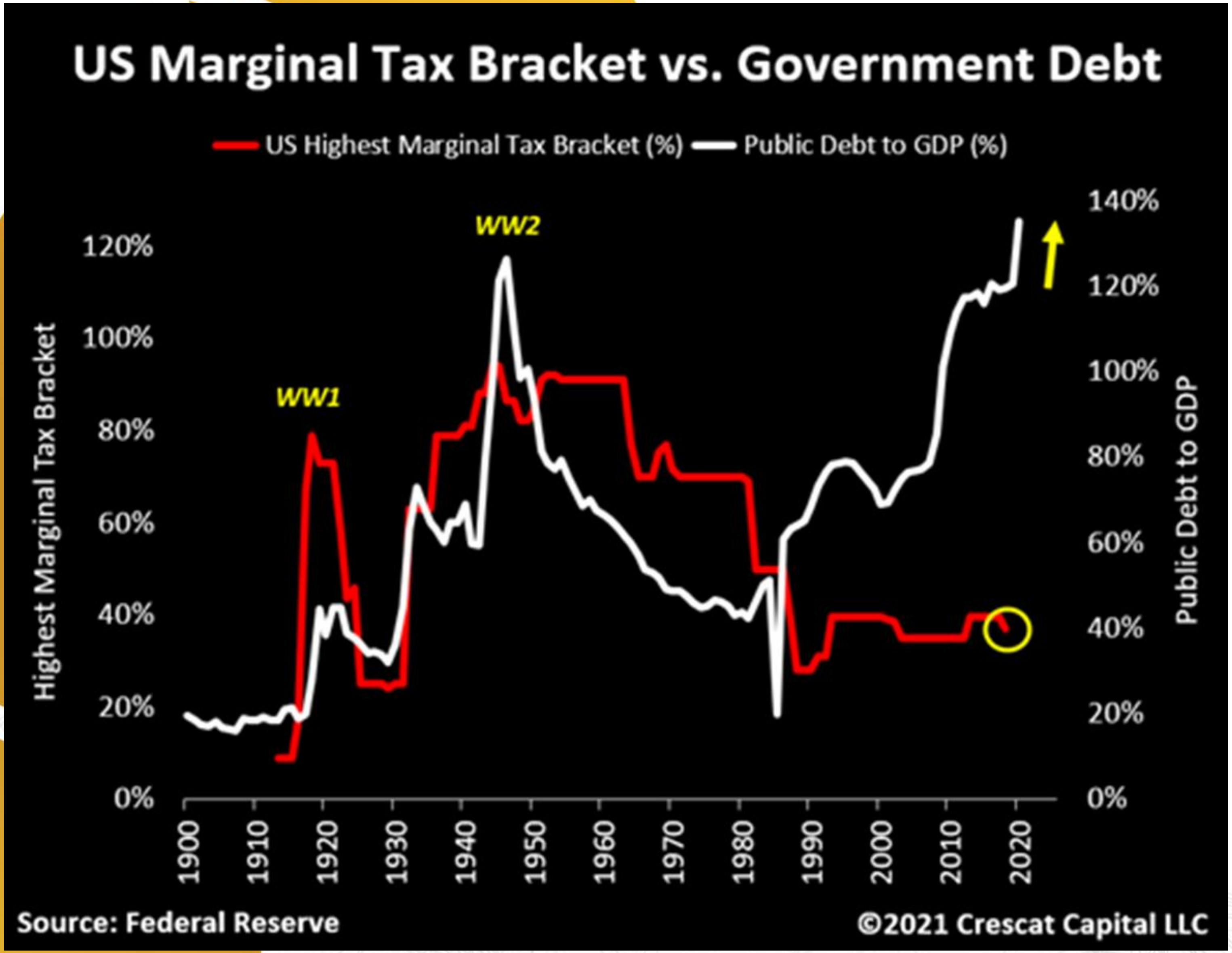


US banks now have $993 billion more of US treasury holdings than the combined value of commercial and industrial loans.



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.

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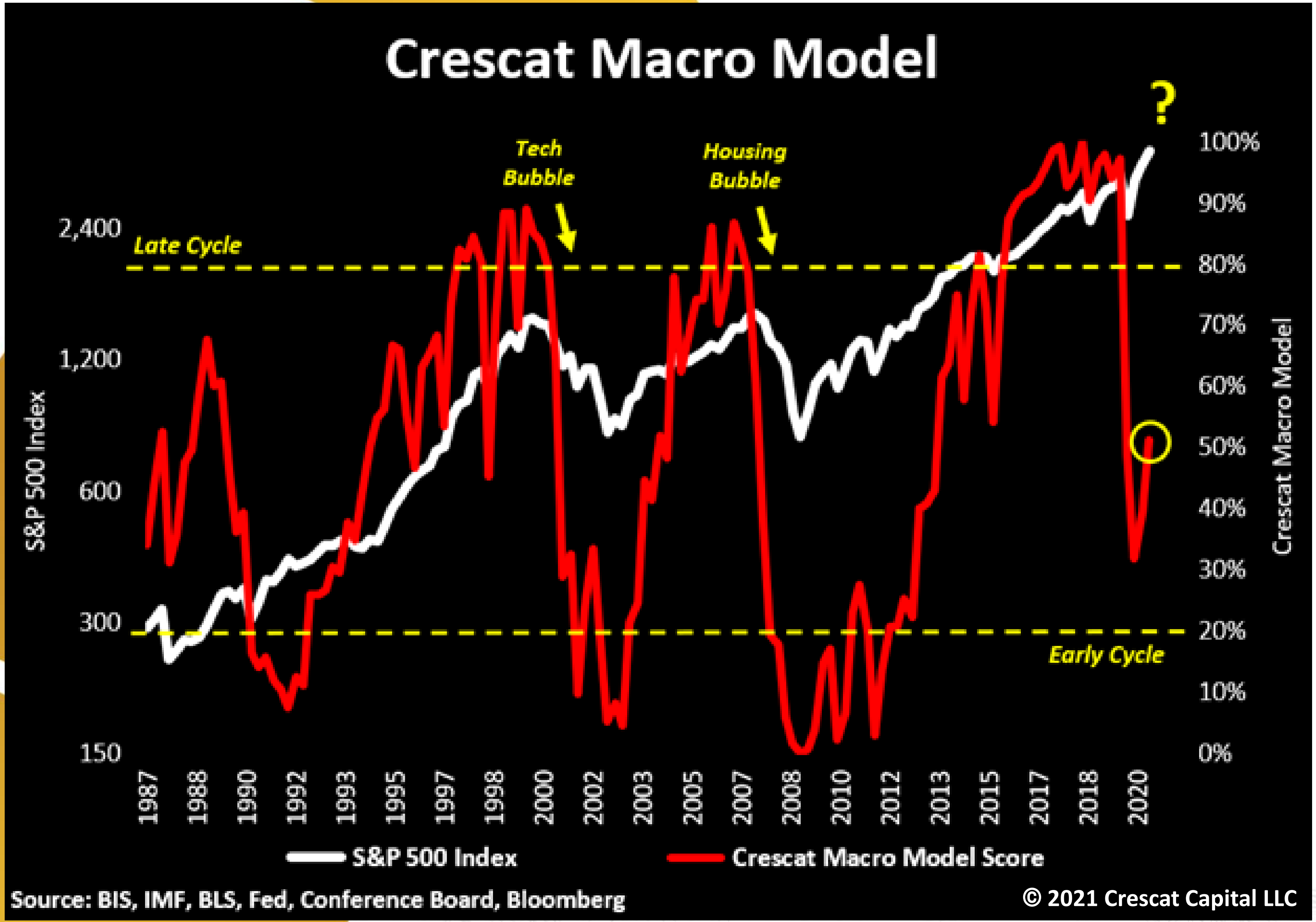

Our recently plunging macro model from an extreme is signaling a major disconnect with current stock prices.

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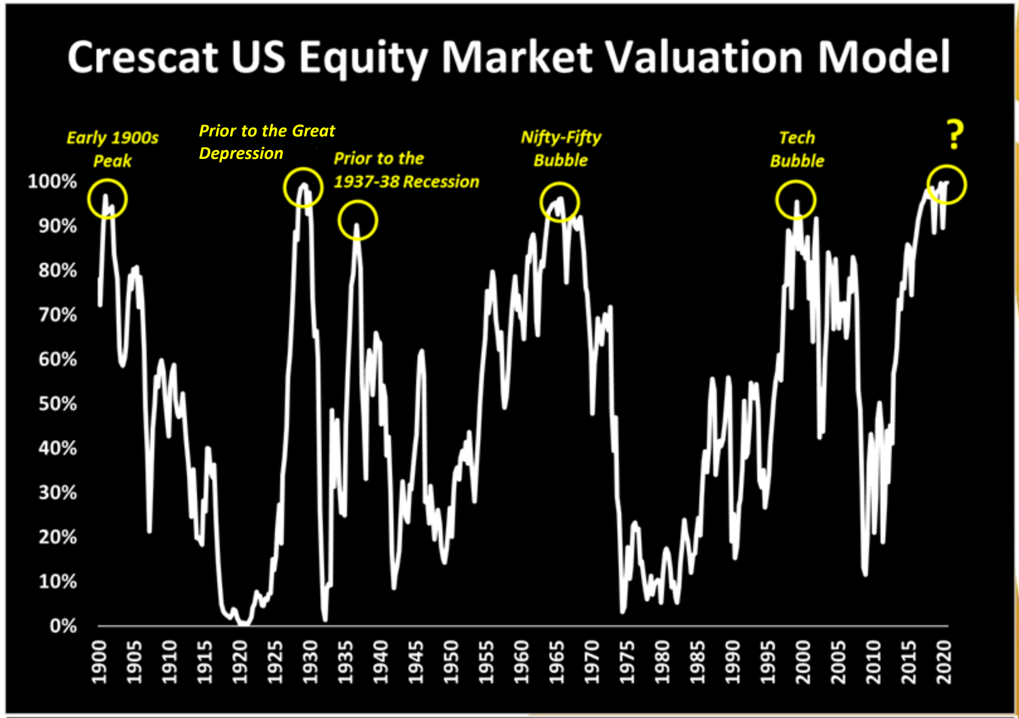
Crescat's 15-factor valuation model is at record levels with 11 out of 15 fundamental metrics in the 100th percentile historically.



Model Factors	Most Recent Value	Historical Percentile
Median EV to Sales (Ex-Financials)	4.0	100%
US Total Market Cap to GDP	170%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV To Sales	3.0	100%
Aggregate EV to Trailing 12M EBITDA	17.5	100%
Aggregate EV to 2021 EBITDA Estimate	15.9	100%
Aggregate Price to 2021 Book Value Estimate	3.8	100%
Aggregate Price to Tangible Book Value	12.8	100%
Aggregate Price to Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE)	32.9	97%
Aggregate Price to 2021 Earnings Estimate	25.6	97%
Aggregate Price to Book	3.9	91%

Source: Bloomberg, Yale/Robert Shiller, John Hussman *Numbers as of December of 2020

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S&P 500 valuations are higher today than the peak of the tech bubble in 2000. Speculation is raging and risks are high due to ultra-easy financial conditions and record leverage. The stock market is priced for a future that is impossible to live up to.

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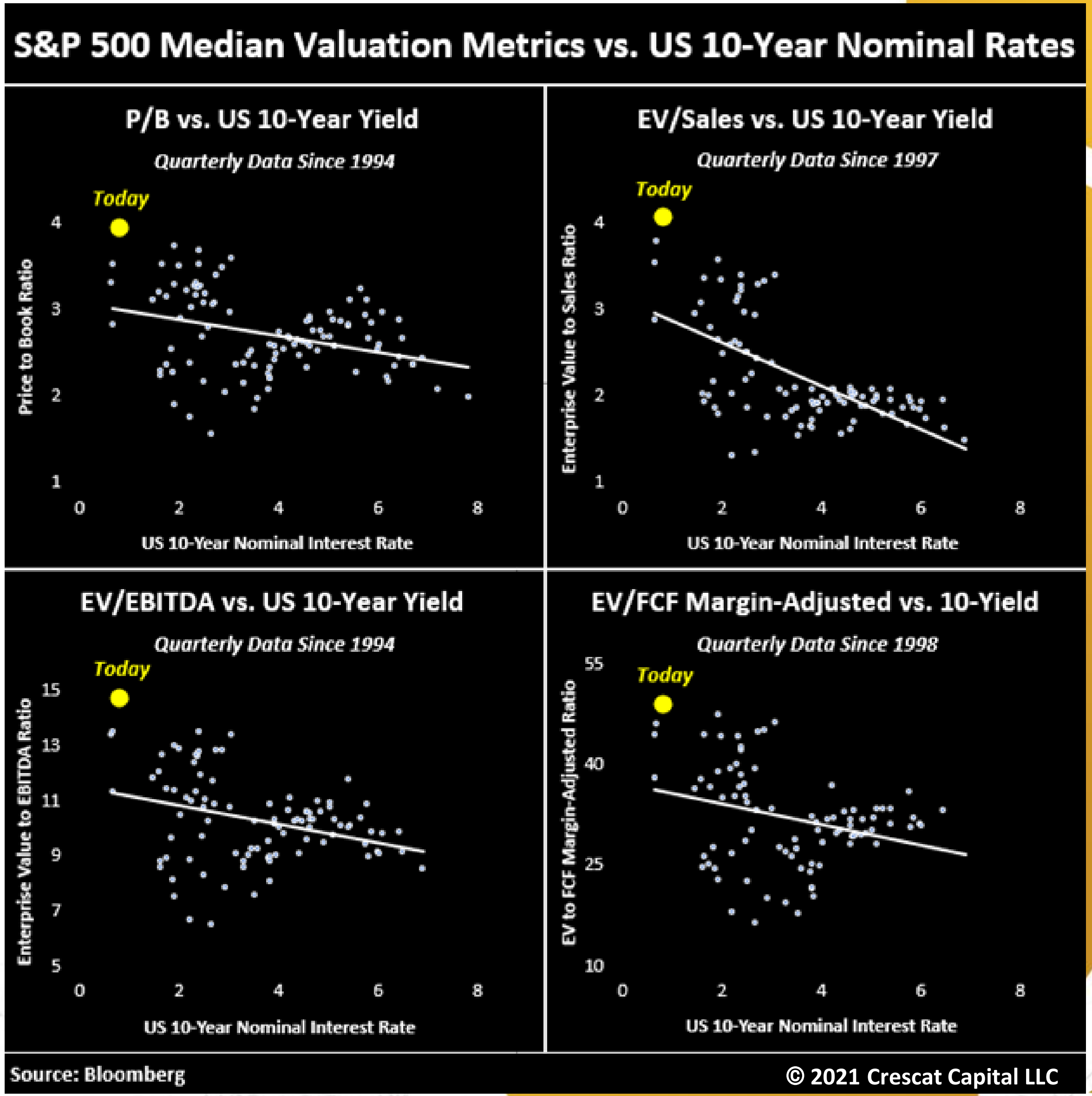
Four different valuation metrics using median S&P 500 company data. Today's stock market multiples are the most extreme relative to interest rates in the last 25 years.



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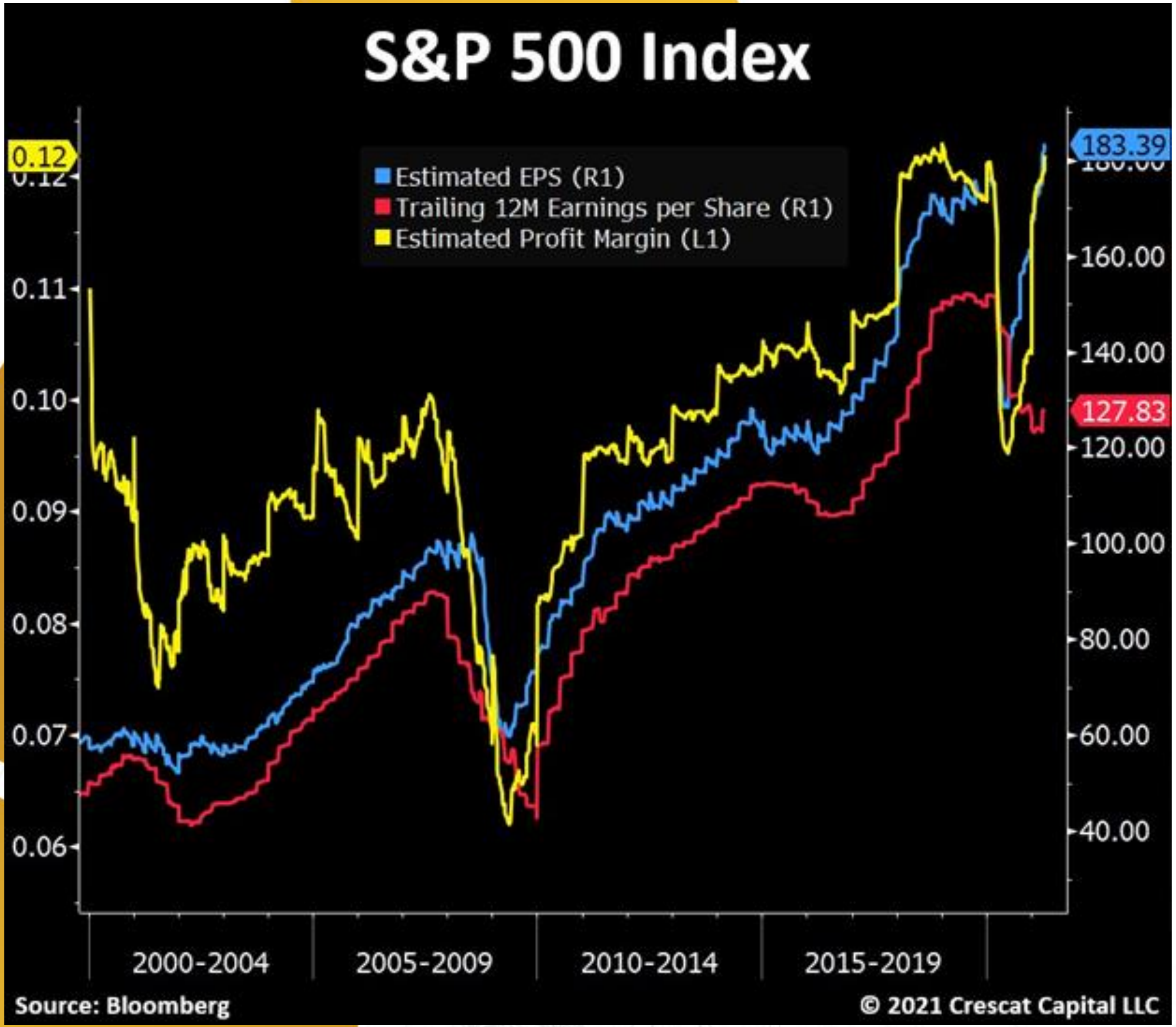
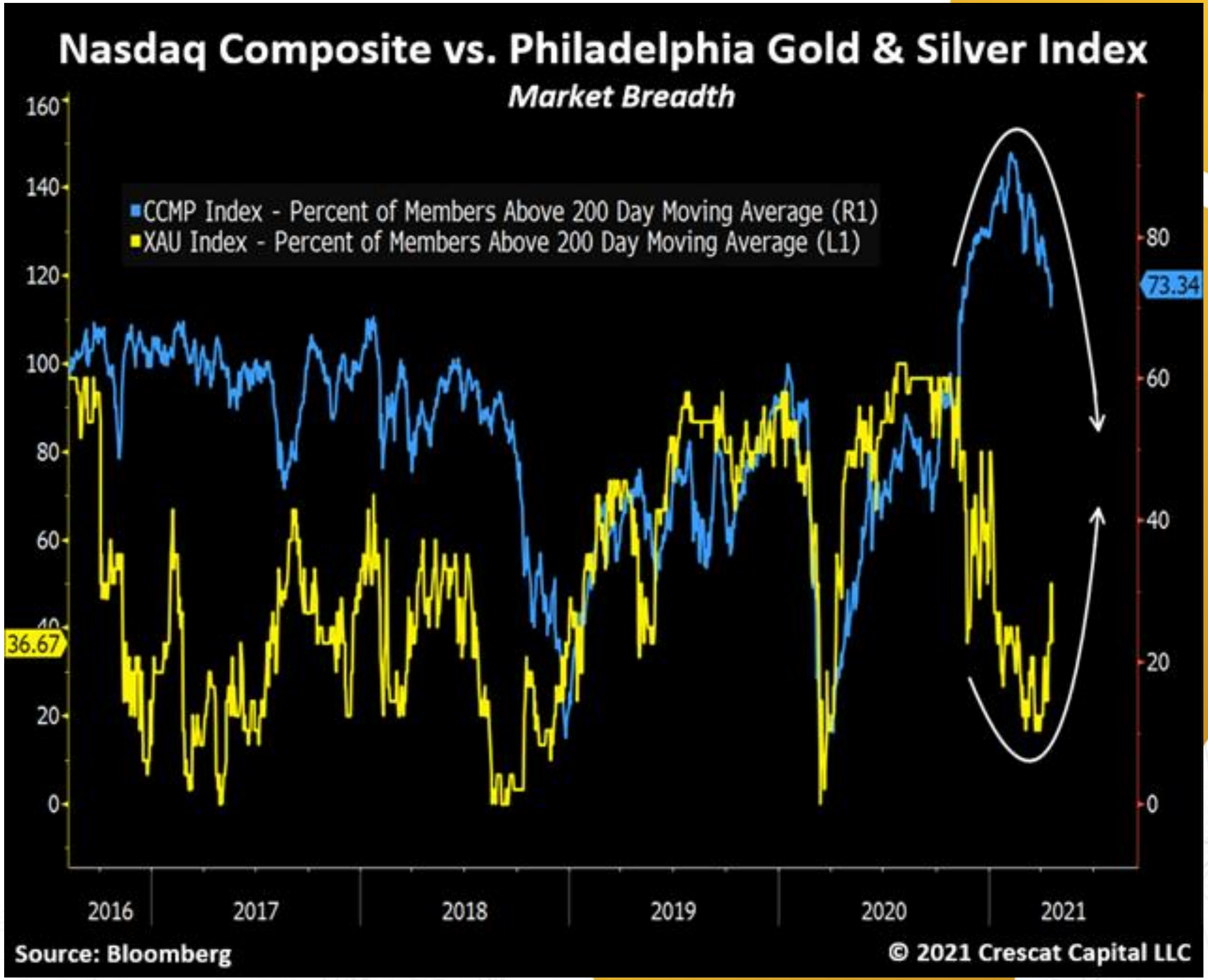


Wall Street analysts predict profit margins will return to all-time pre-Covid highs but ignore rising inflation due to structural shortages and de-globalization across the entire supply chain.

The stock market is still near record highs, but internals are deteriorating. The breadth of the NASDAQ Composite has diverged to the downside since February. The faltering leadership of the widely owned tech sector presents contagion risks.

We believe it is the dawn of the Great Rotation where investors will be selling overvalued, long duration financial assets and buying undervalued hard assets, including scarce resource stocks with high near-term growth fundamentals.



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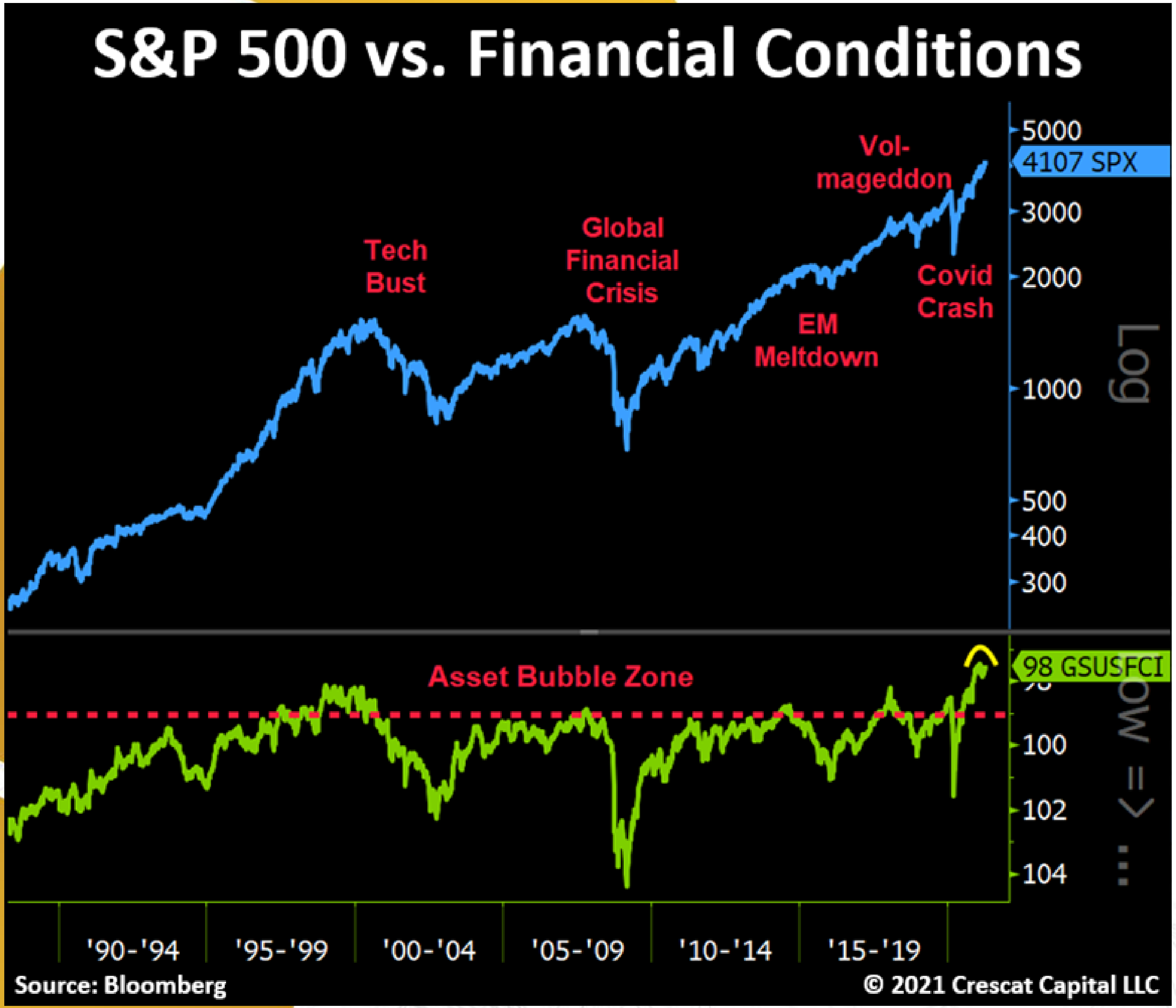
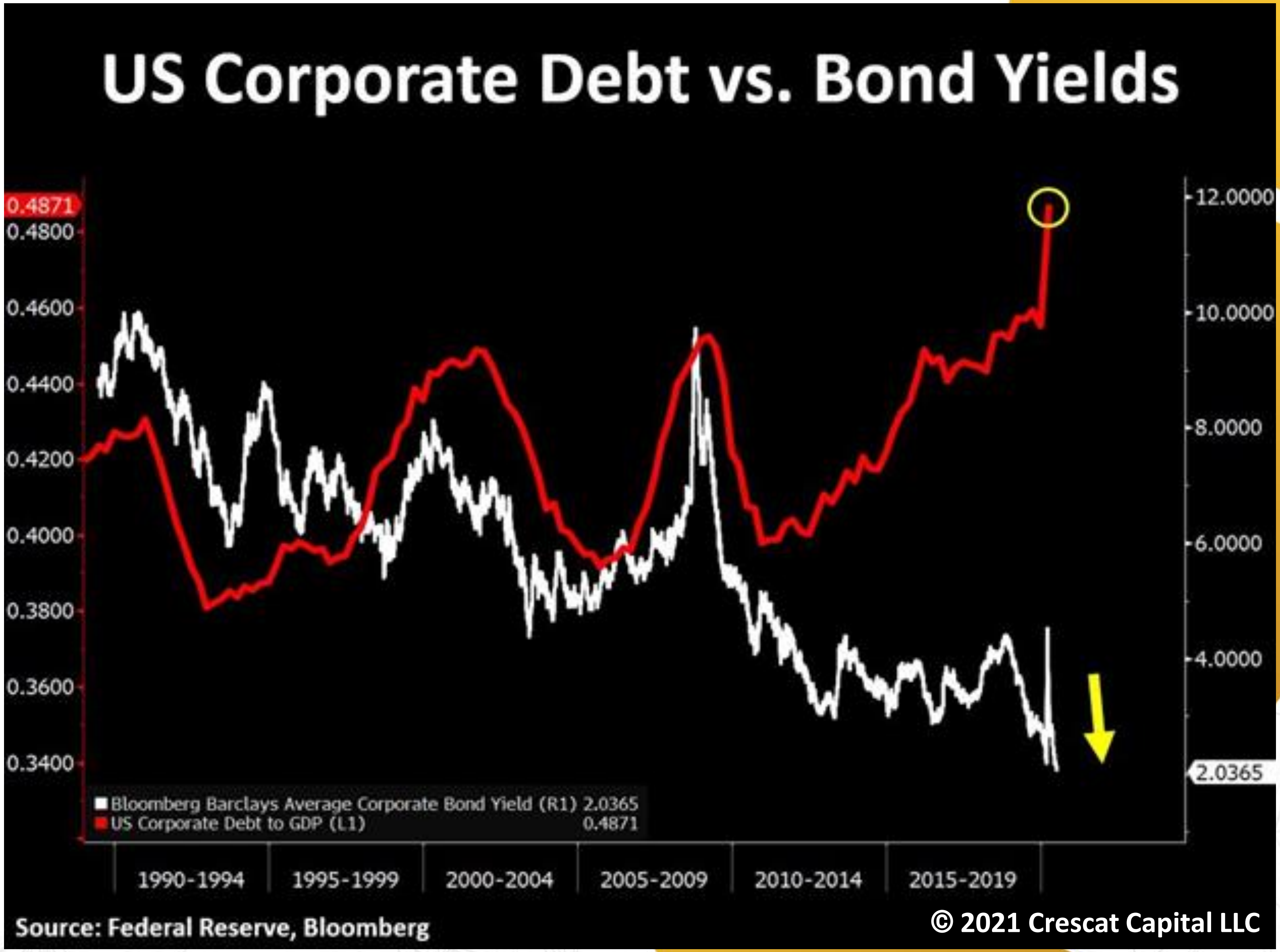


The yield curve is steepening, long-term nominal rates are rising, and stocks, which are long duration assets, are now in danger.

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



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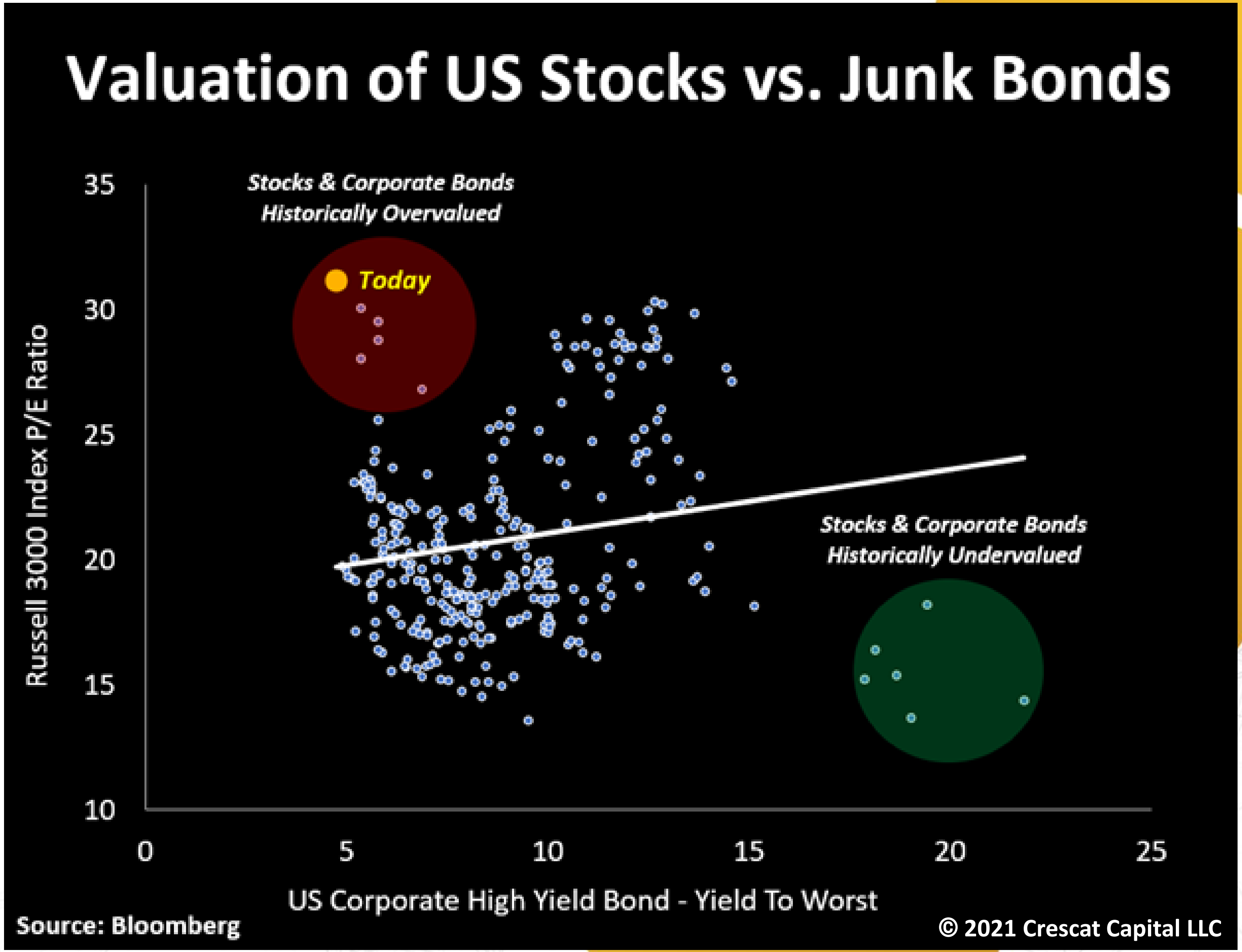
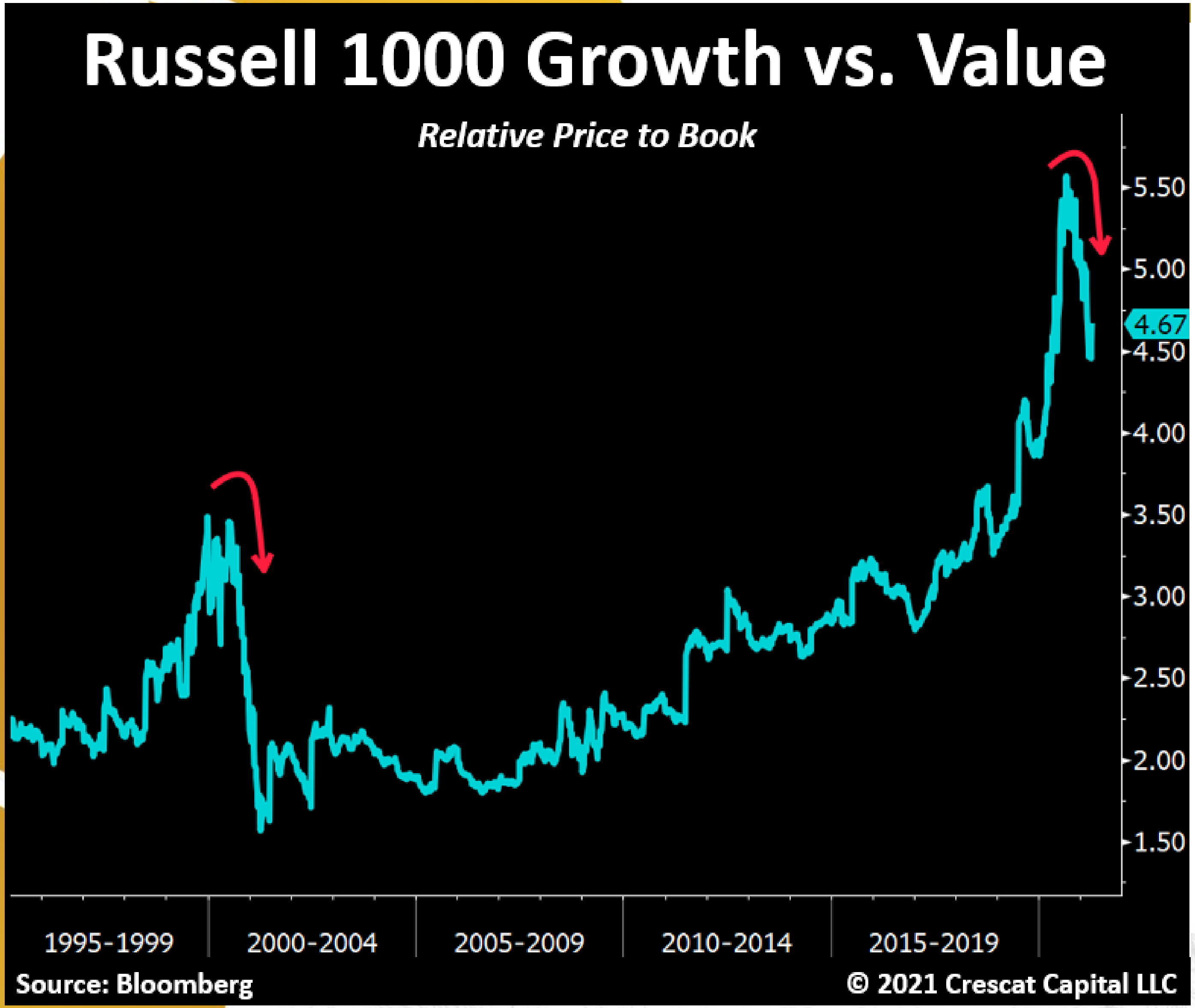
Corporate bonds now yield less than inflation expectation for the first time in history.

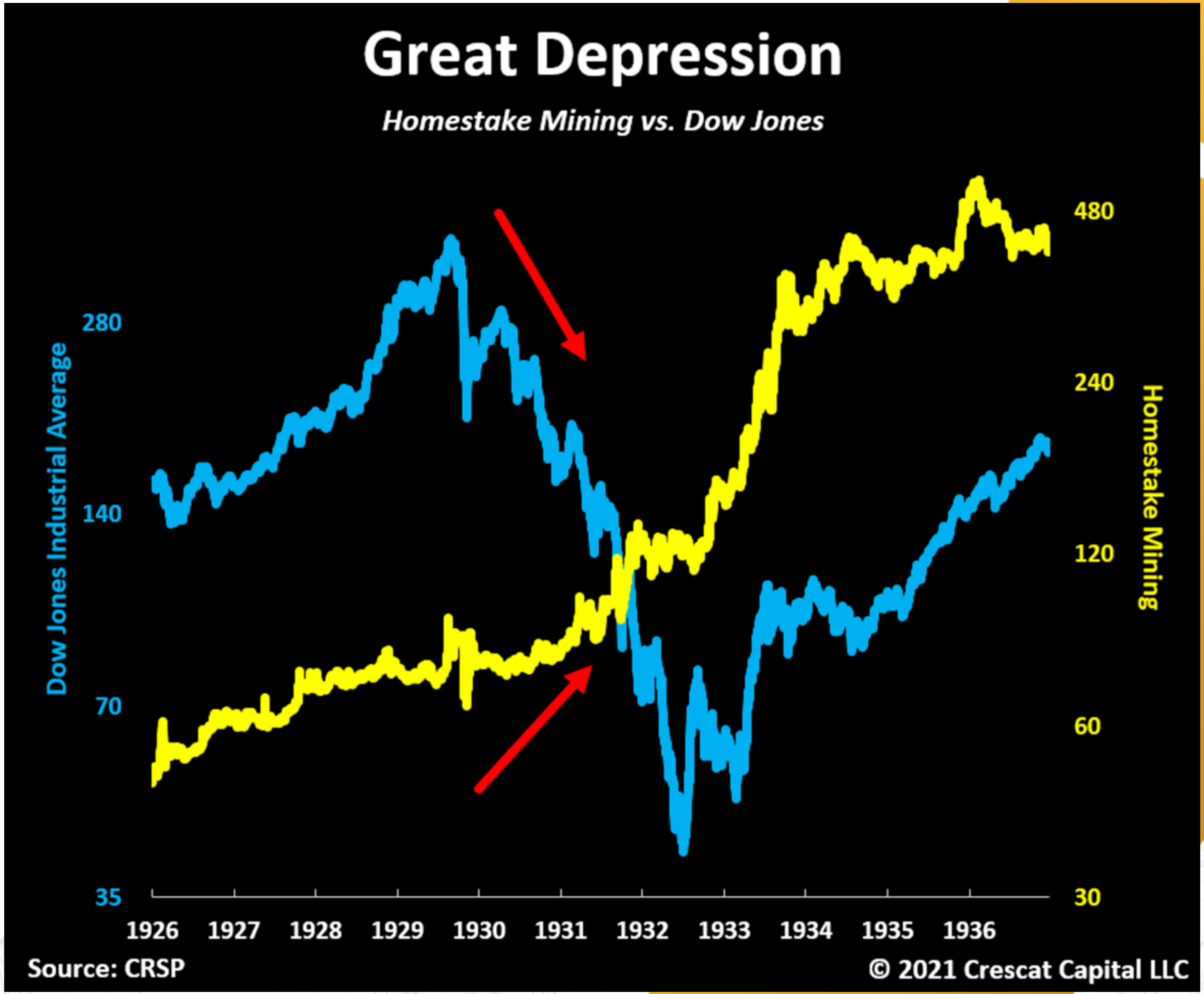
For the first time in history, junk bonds and stocks are record overvalued in tandem.

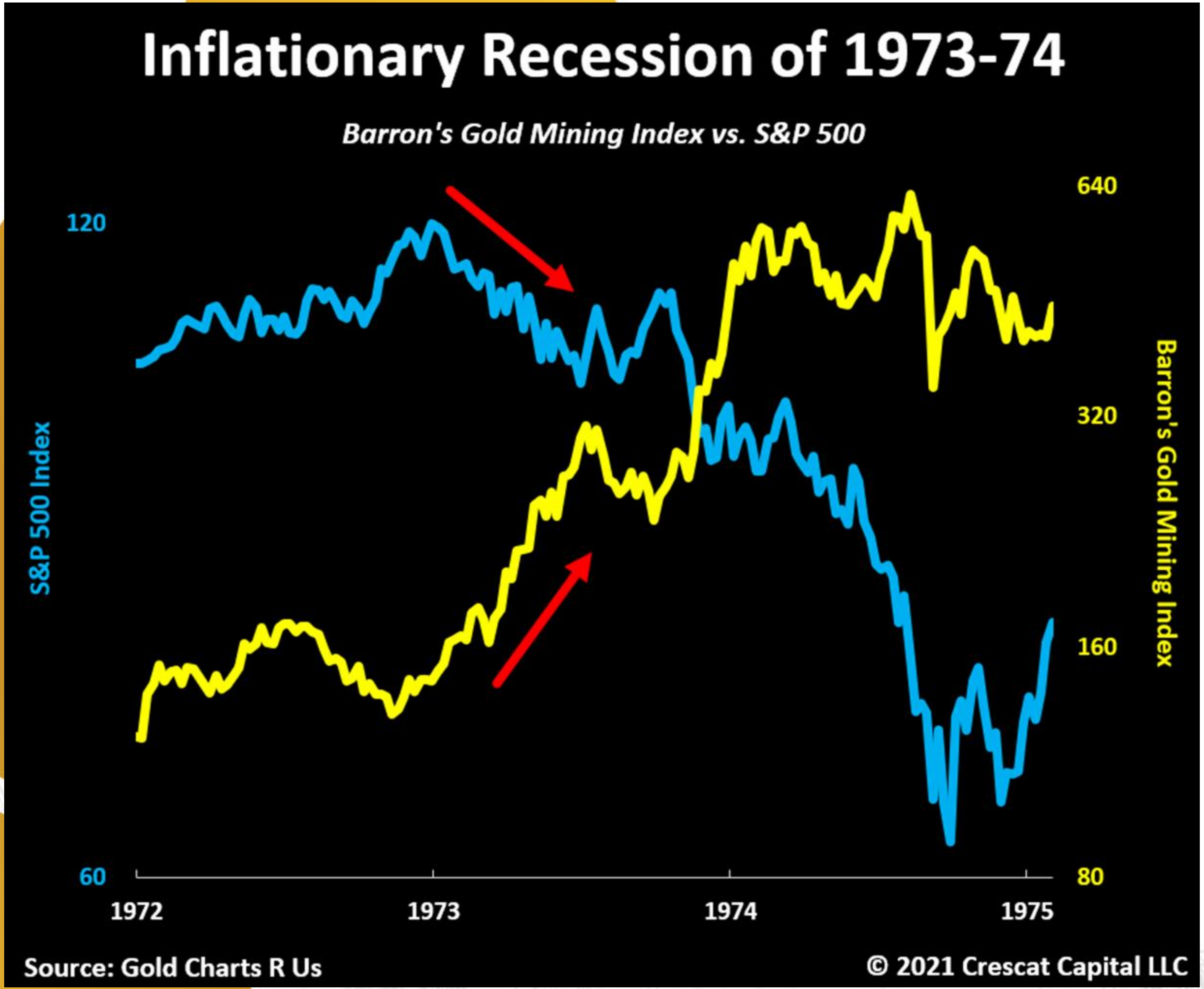




Notice how large cap growth stock performance relative to their value counterparts appears to have just rolled over and likely has much further downside from here.

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





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

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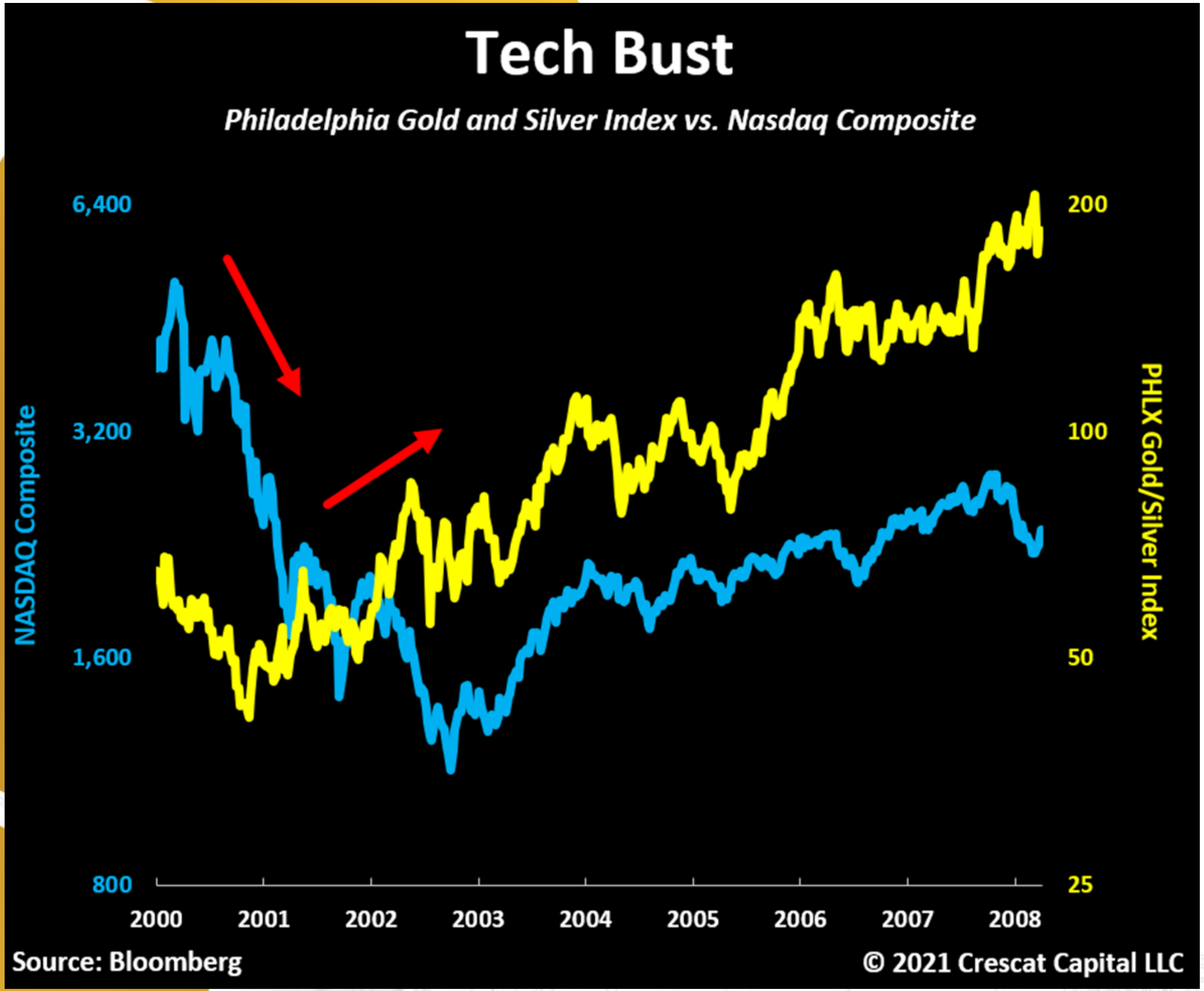

The Philadelphia Stock Exchange Gold and Silver Index increased five-fold from 2000 to 2008 while the Nasdaq composite declined 78% from 2000 to 2002.

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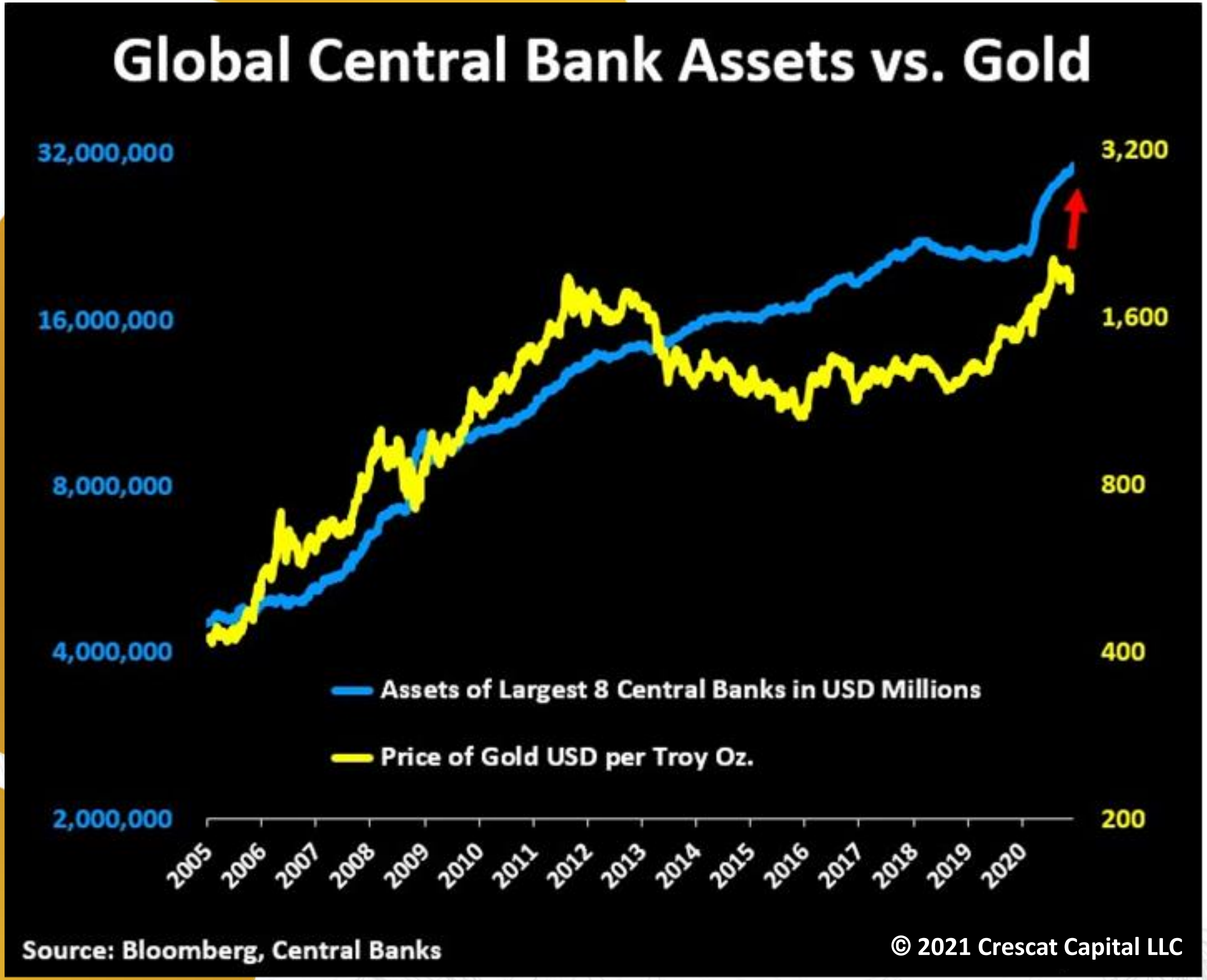

Money printing only supports financial asset bubbles for so long. Ultimately, QE drives flows out of overvalued stocks and credit and into undervalued precious metals.

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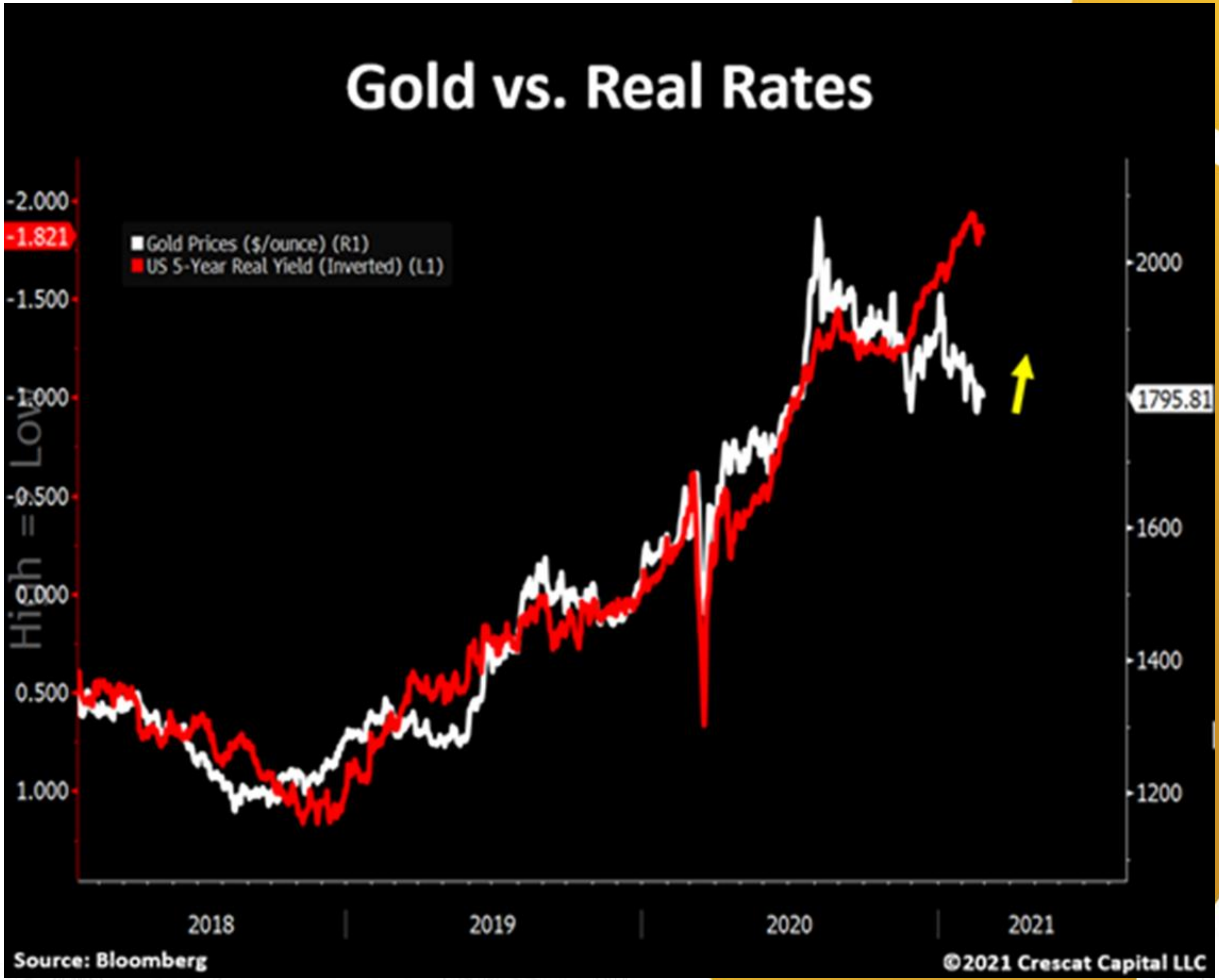
Real rates tend to lead the way for precious metals, particularly gold.



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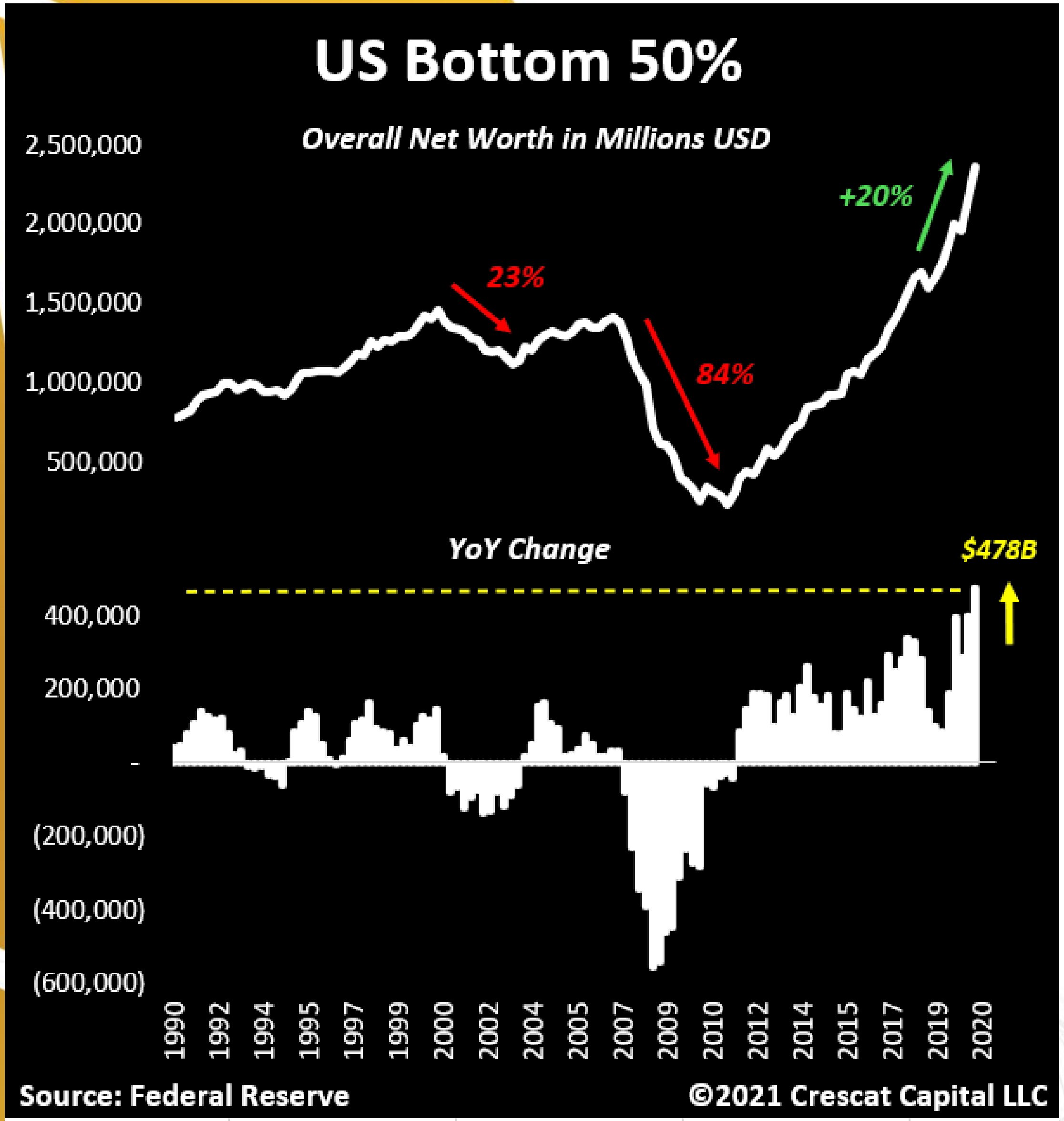

The lower classes just increased their wealth to the highest annual amount in the history of the data.

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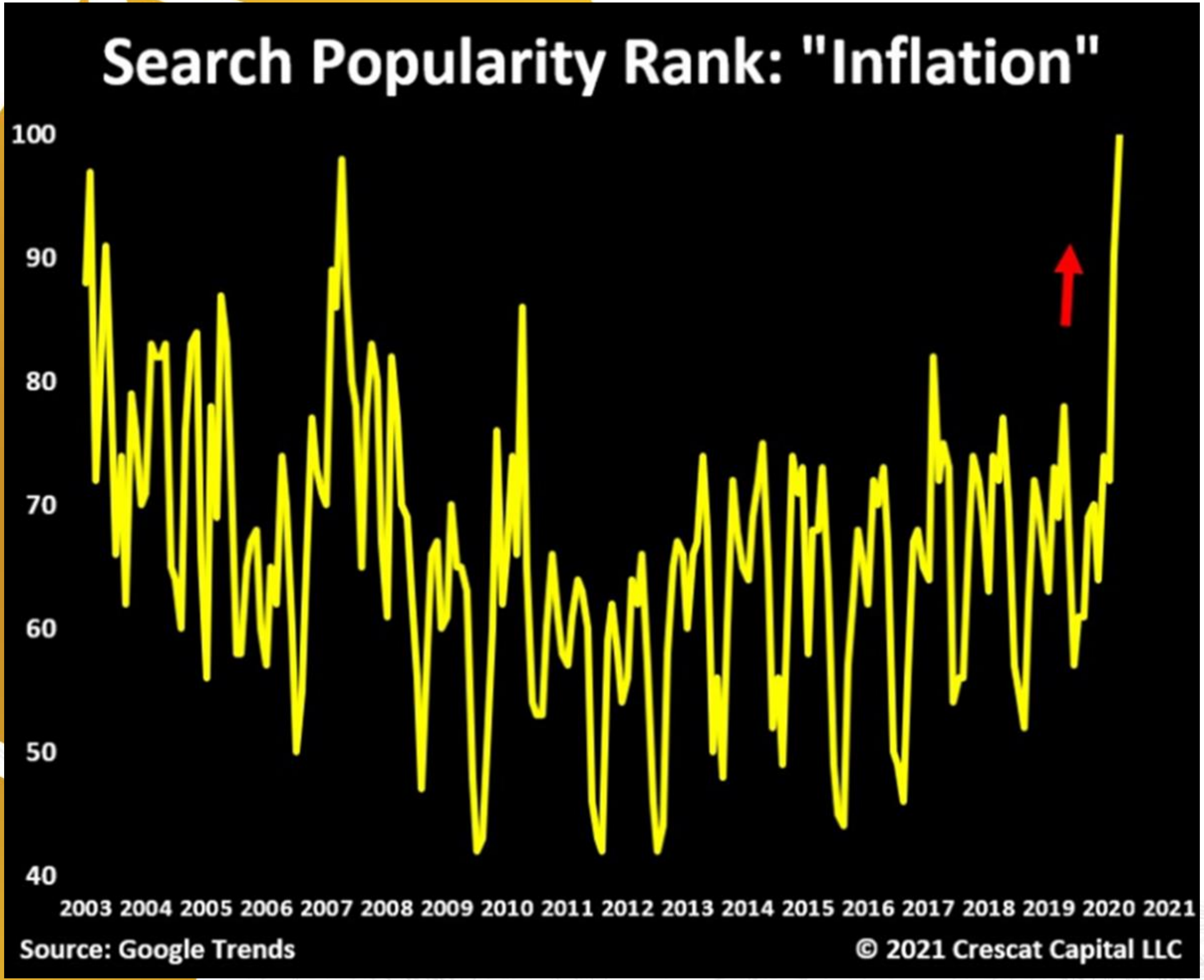
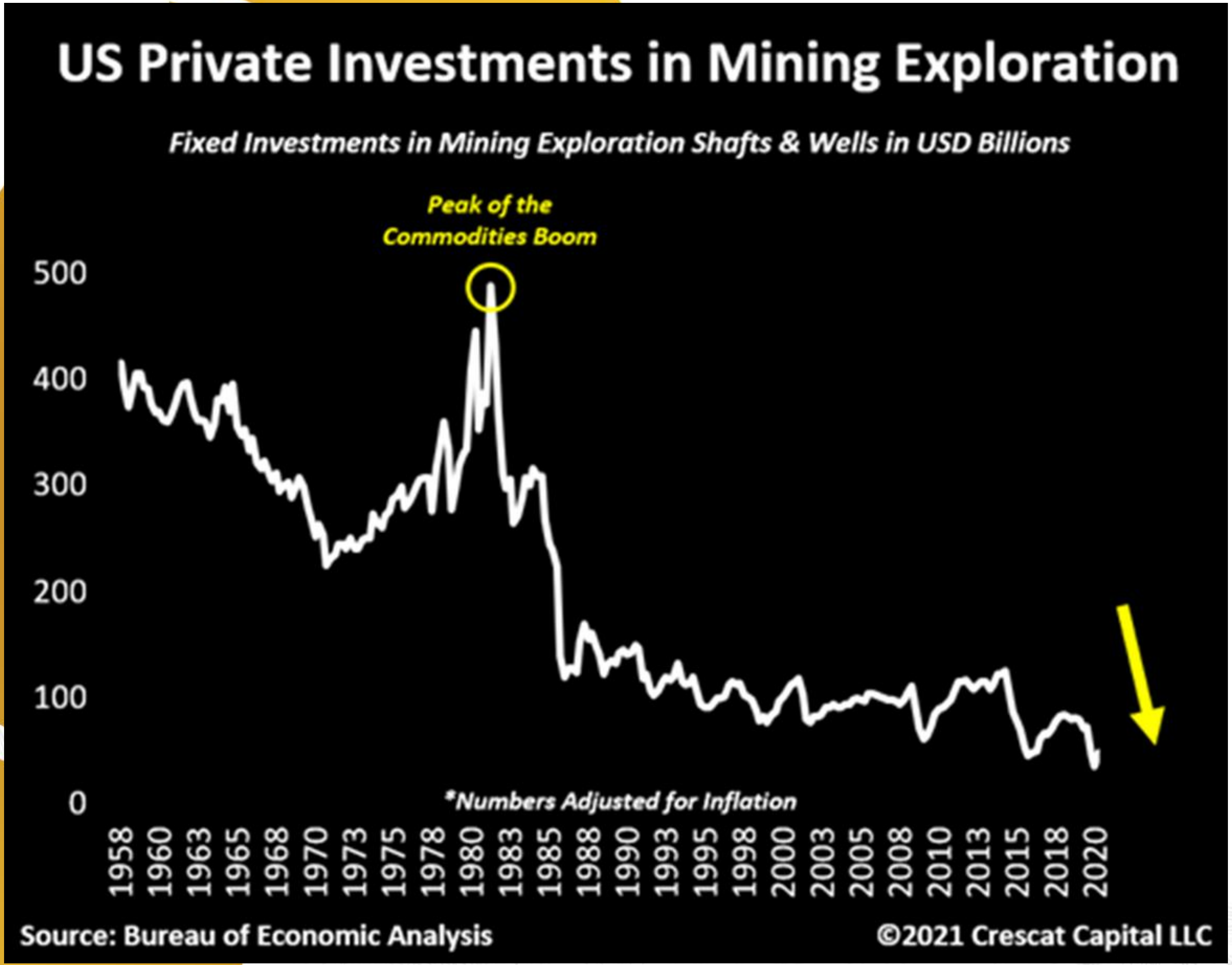


The popularity of the word "inflation" in Google searches has recently spiked to all-time highs as the monetary debasement narrative continues to gain momentum.



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.

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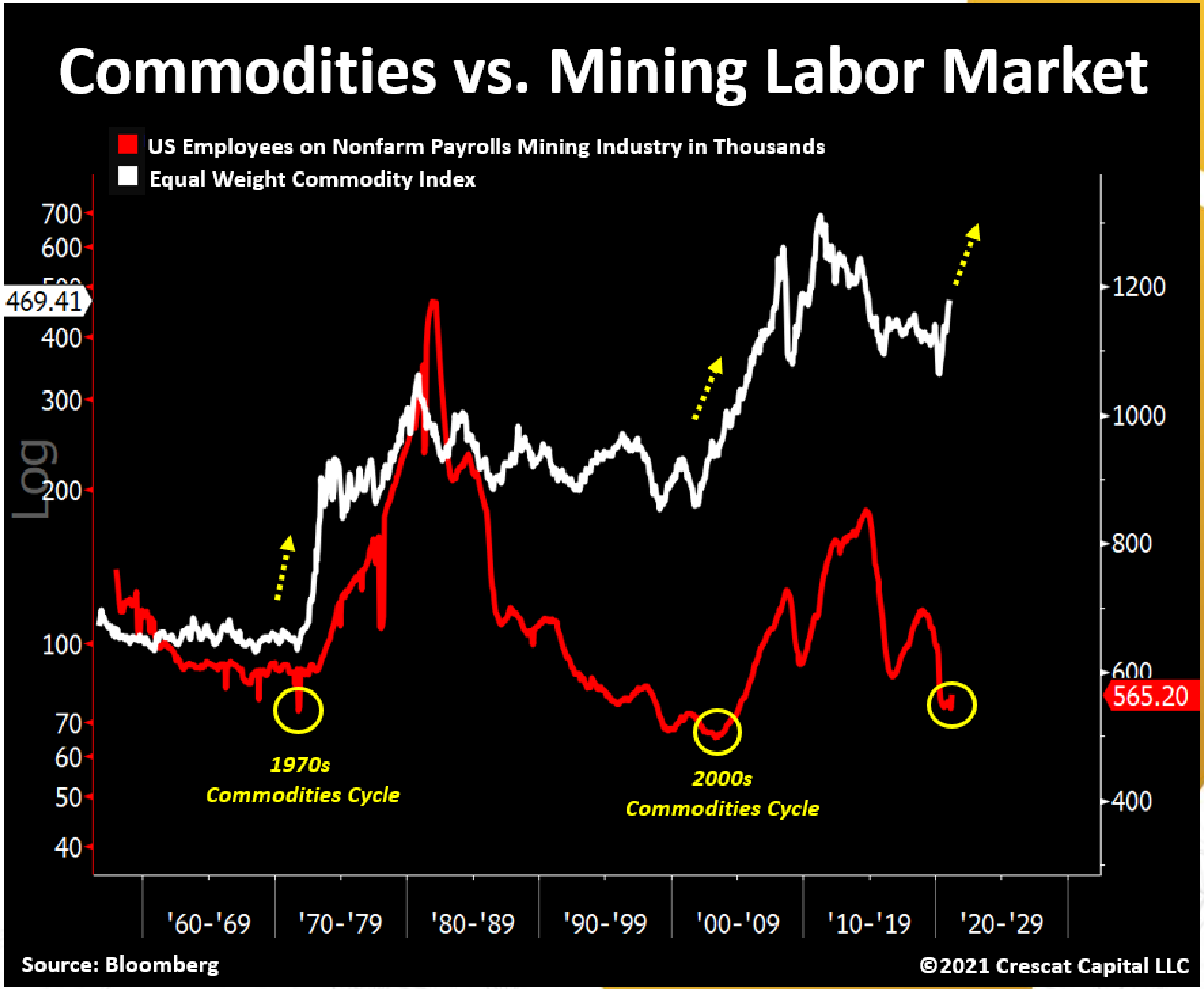
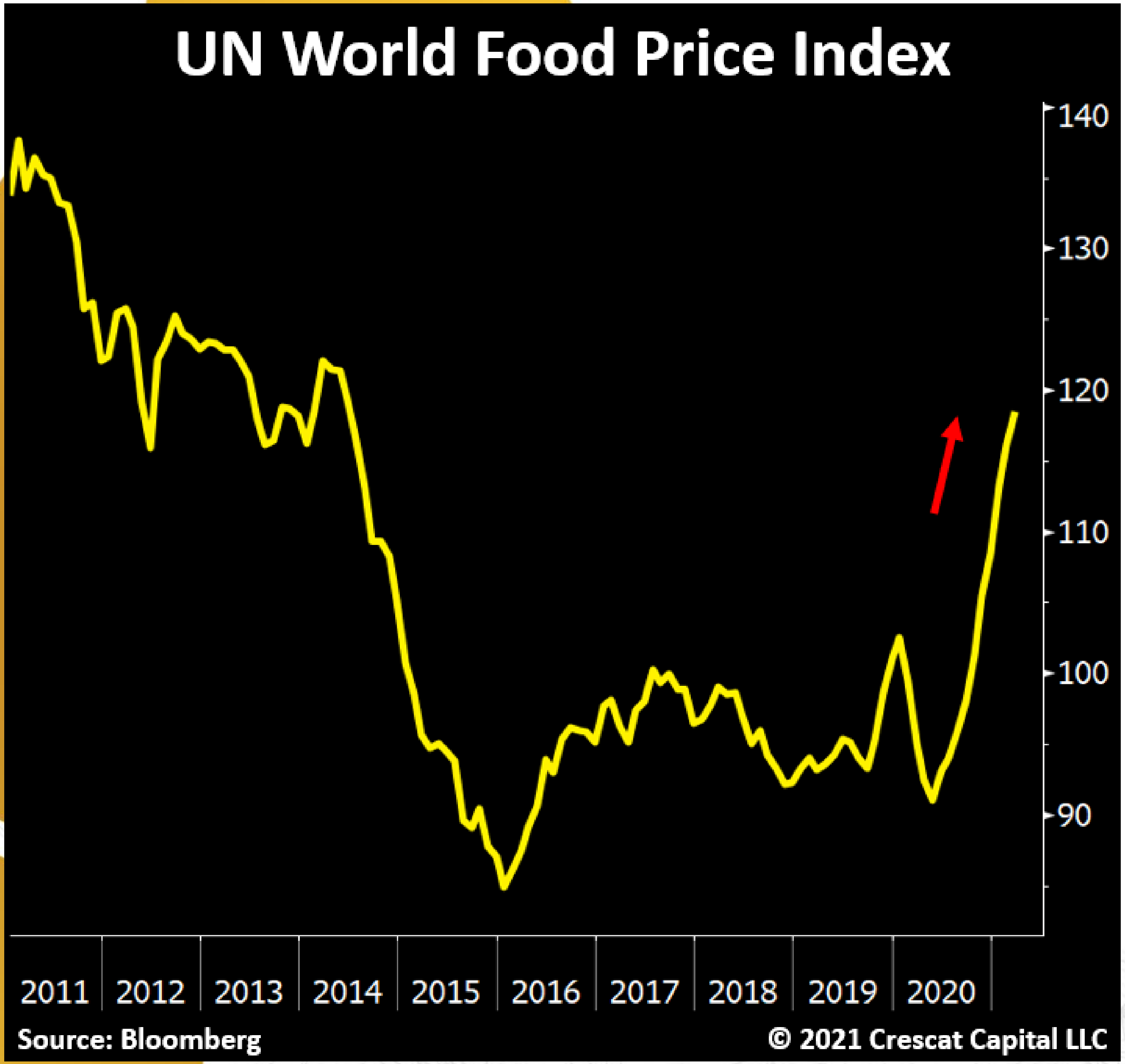
A classic early sign of a commodity cycle. Mining industry nonfarm payrolls near historical lows. Labor & capital constrains are the amplifiers of bull market in resource stocks.





Global food prices up 30% in the last year.

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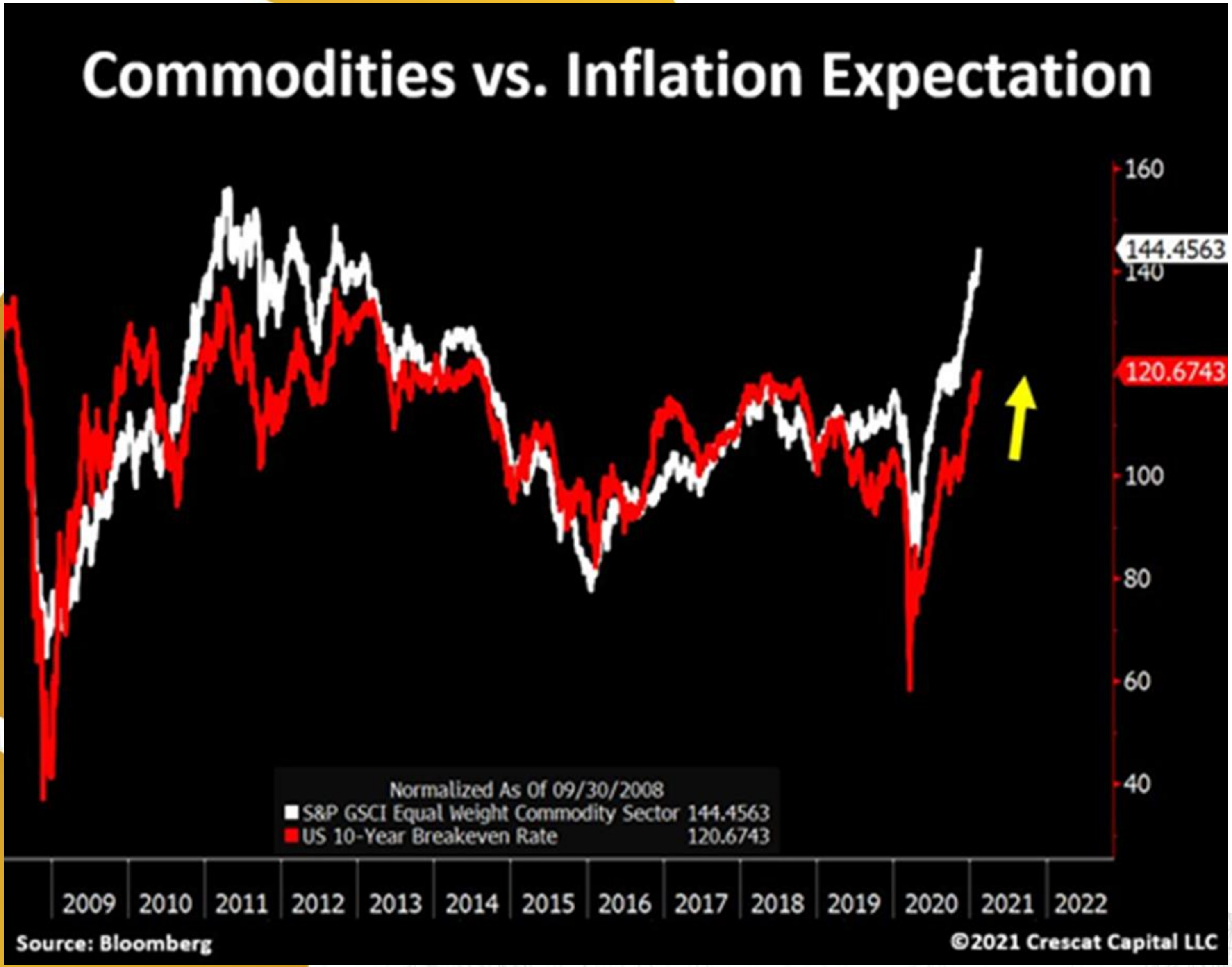
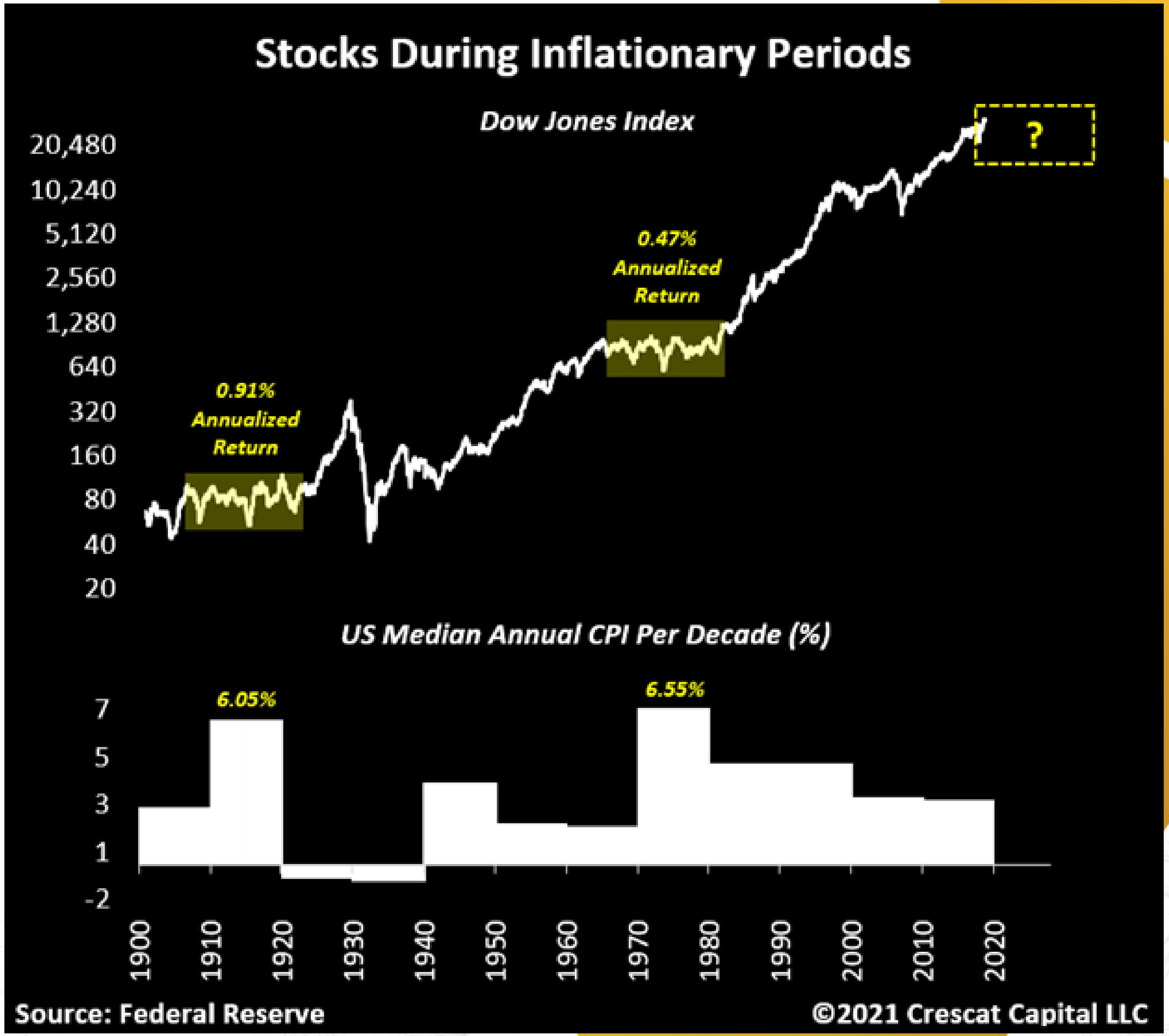


Commodity prices have largely impacted inflation expectations over time, suggesting that 10-year breakeven rates are ripe to move significantly higher.

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.



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

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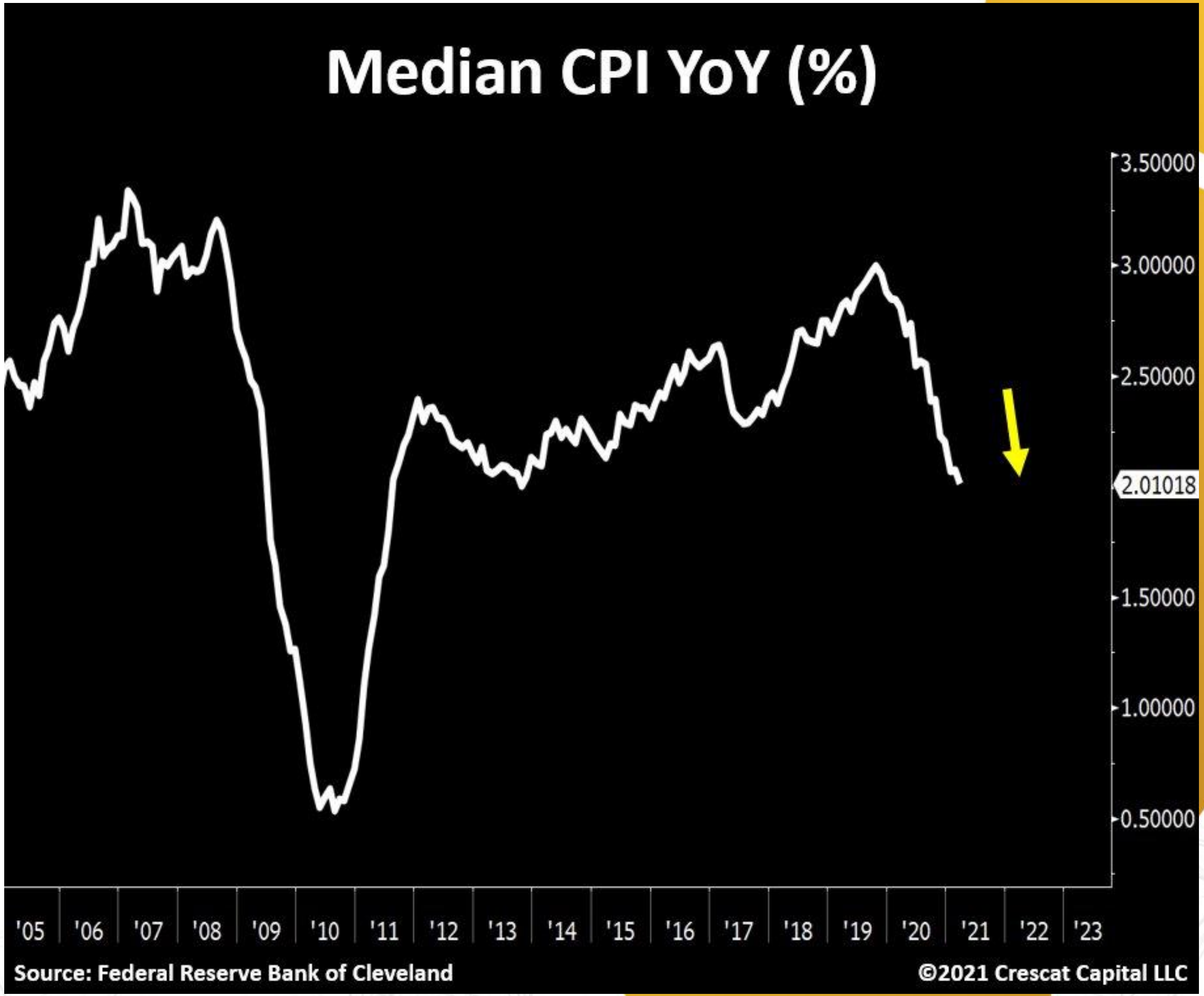
Here is the Federal Reserve's own calculation of inflation. At a 7-year low. There is absolutely no rush to cease monetary stimulus.



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

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Silver remains historically undervalued relative to money supply.

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

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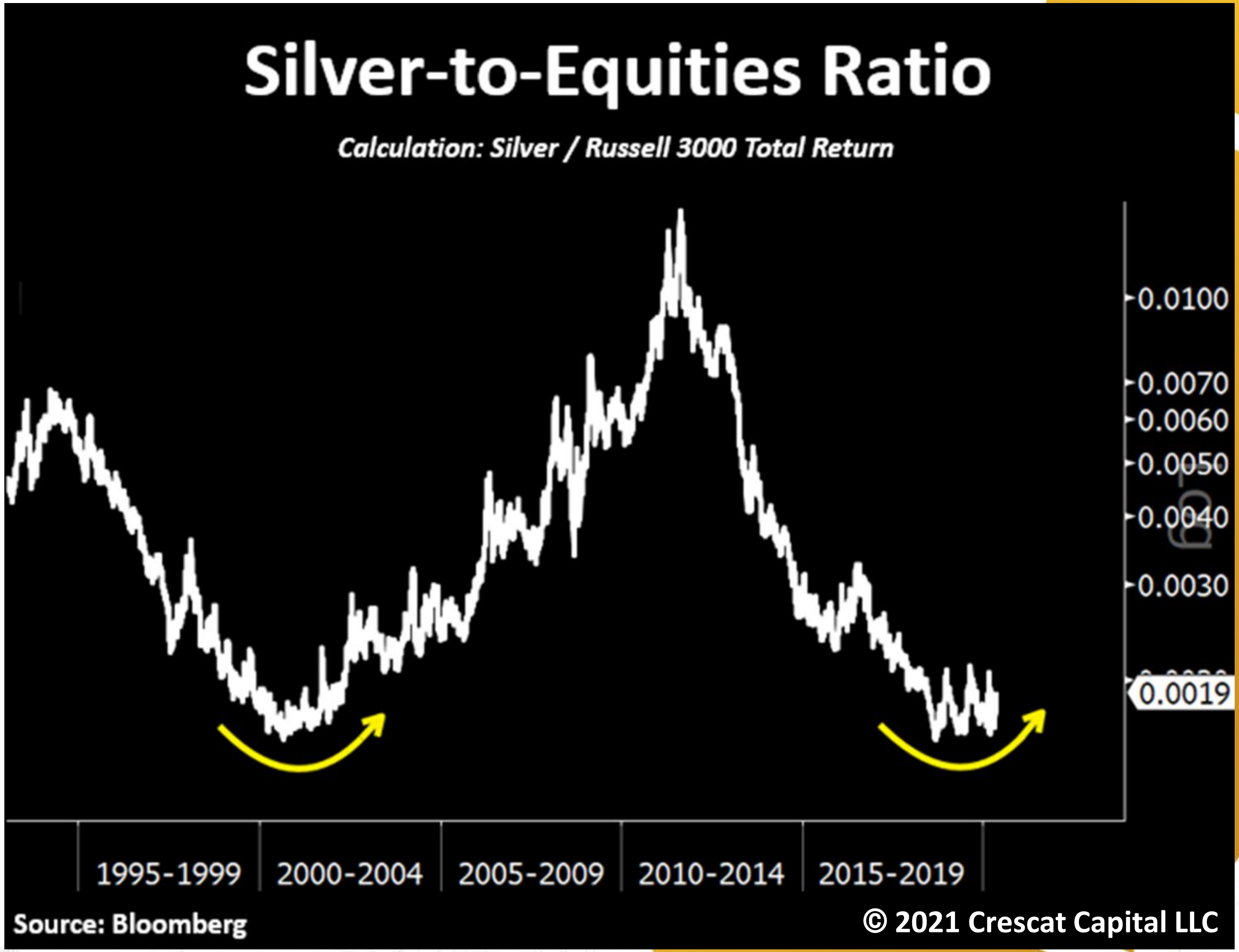
The silver-to-equities ratio is a clean looking double bottom, a battle of two extremes.



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

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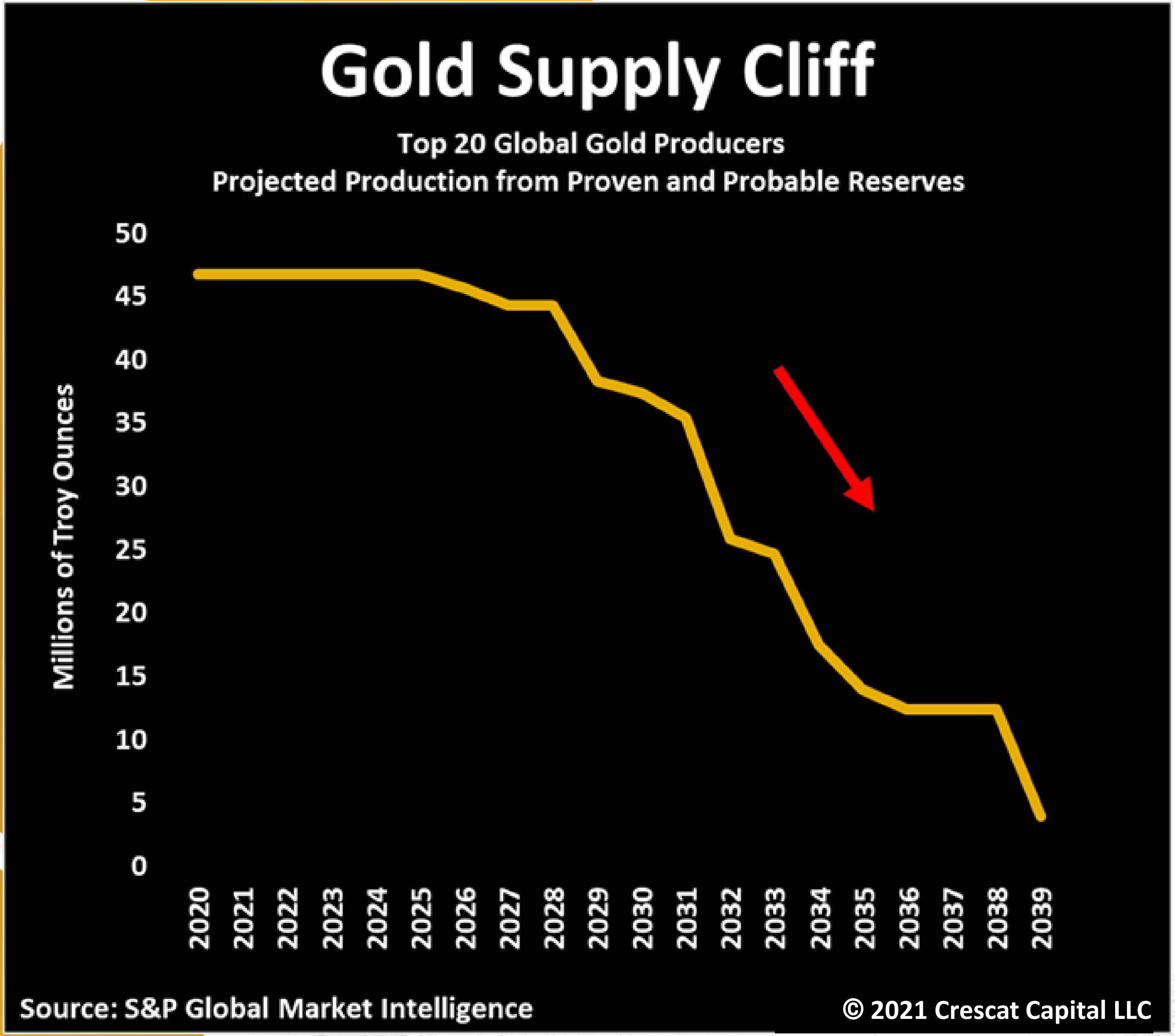
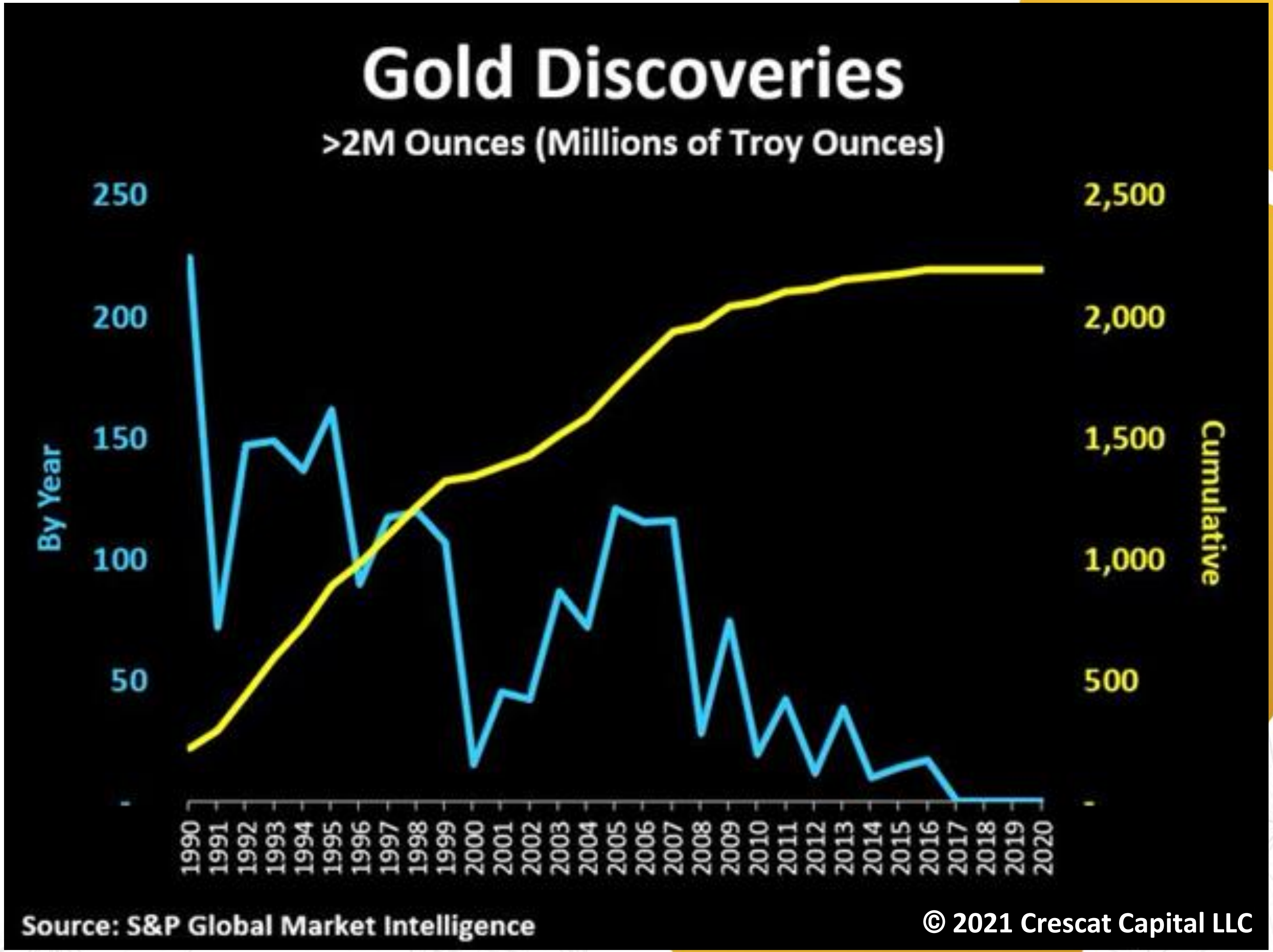


Majors have underinvested in exploration and must replace their reserves. Supply shortfall a macro positive for gold prices. Extremely bullish for junior explorers.

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.



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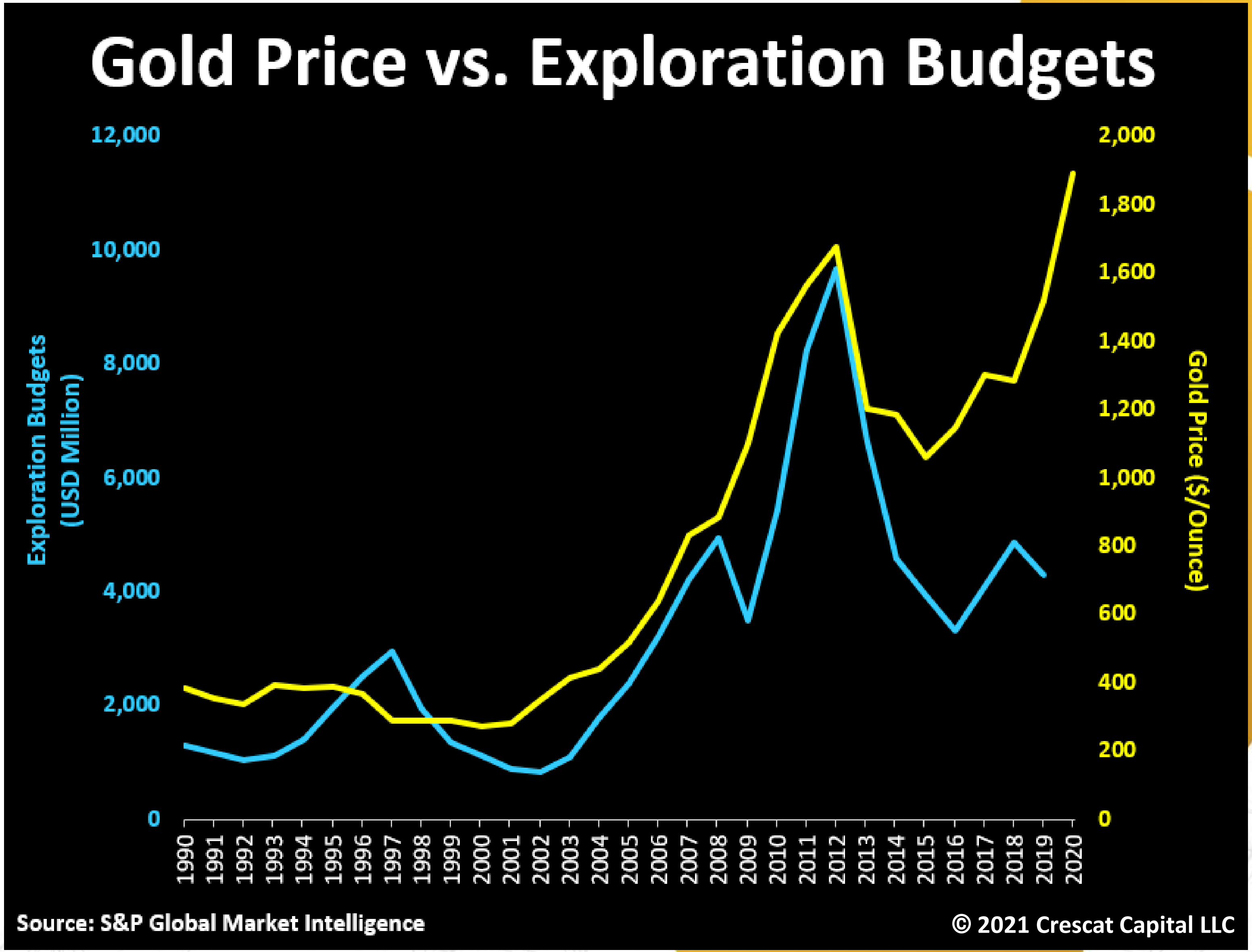
Exploration budgets and gold prices have been diverging for over 8 years.



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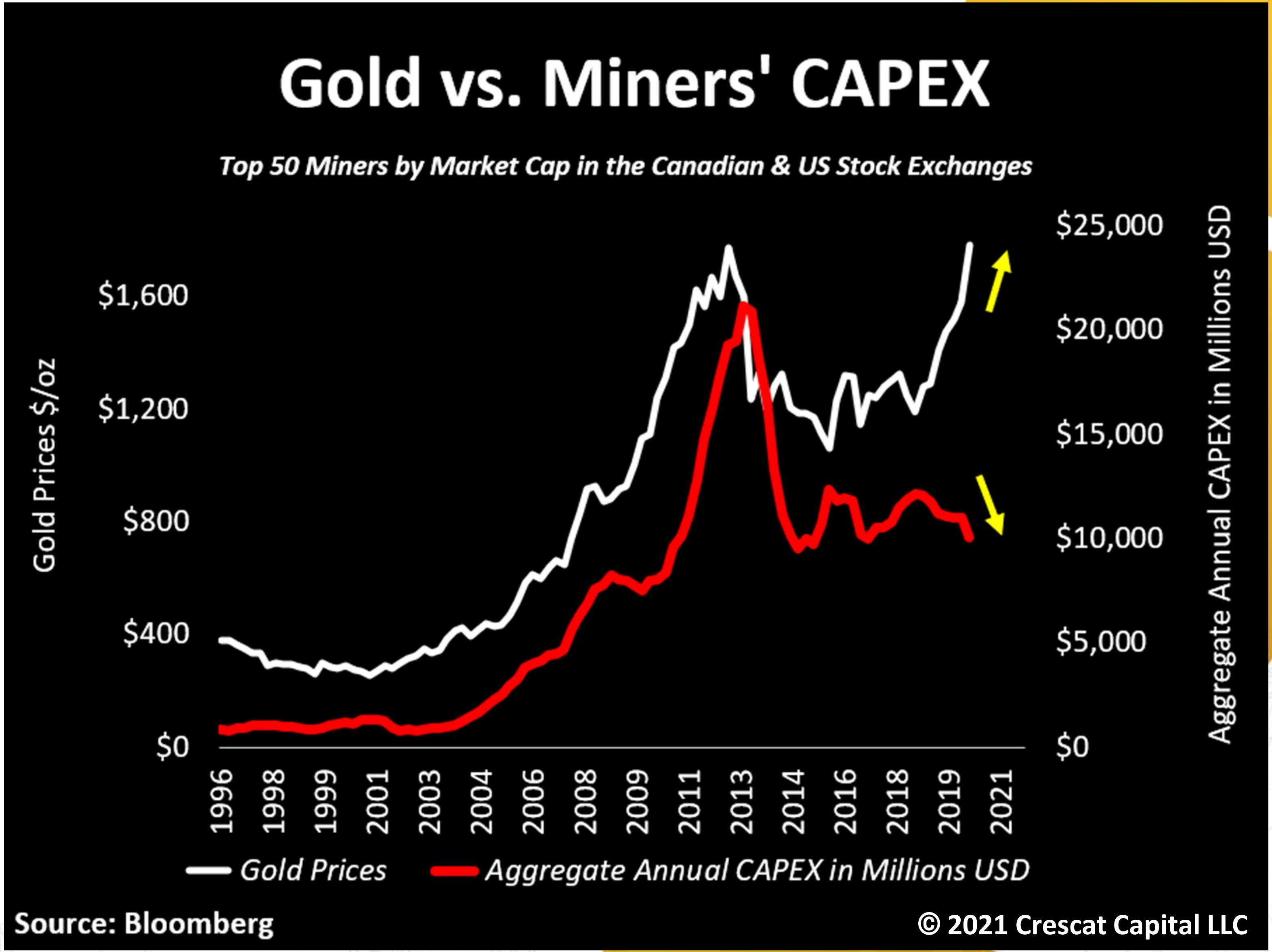
Miners have been reluctant to spend capital even though gold prices have been moving higher. Thus, supply is constrained, an incredibly bullish fundamental backdrop for gold and silver.



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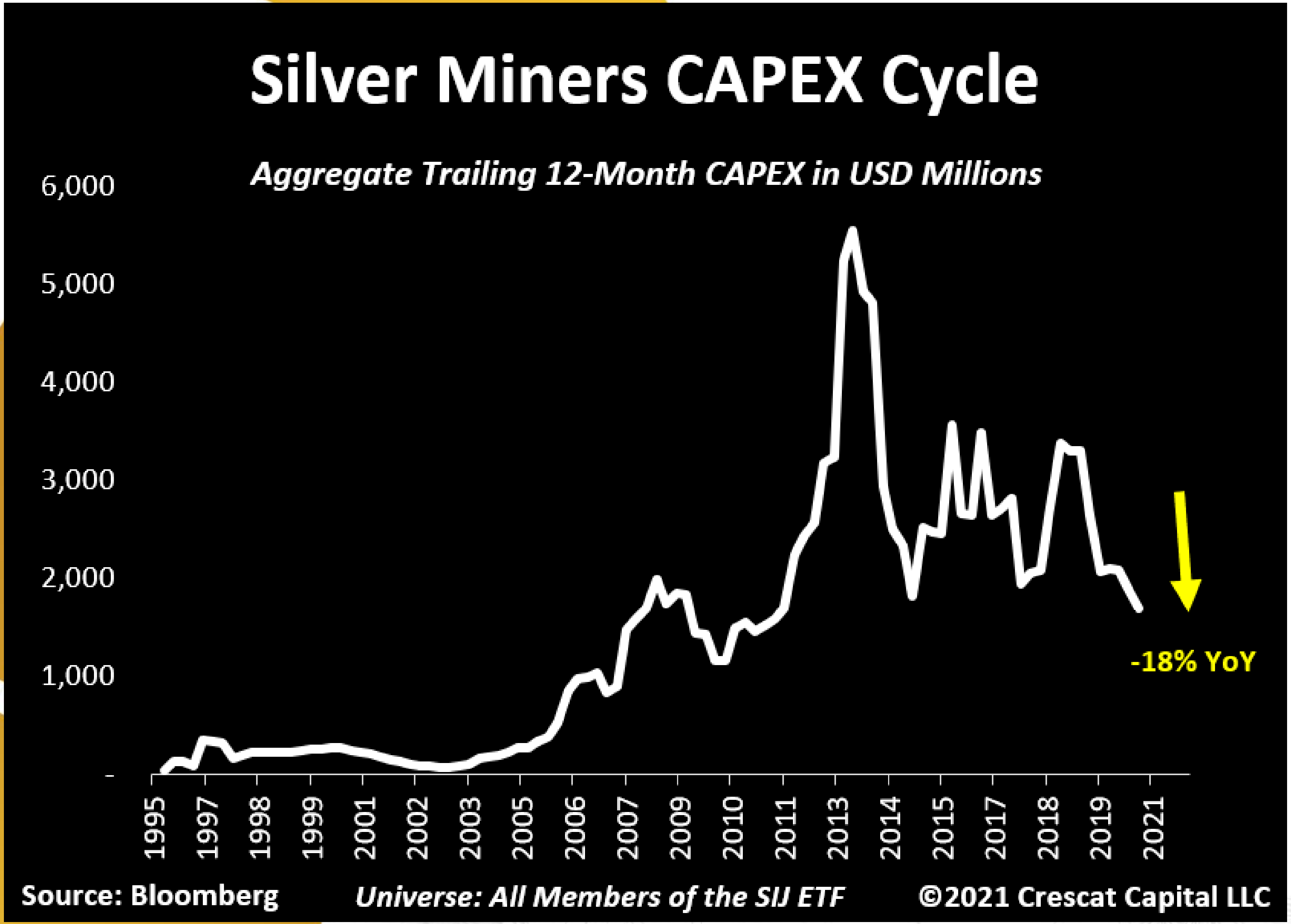

Silver miners CAPEX is at a decade low while, in the last 12 months, $25T of newly issued debt worldwide, $9T of monetary stimulus by central banks, and $18T of negative yielding bonds.

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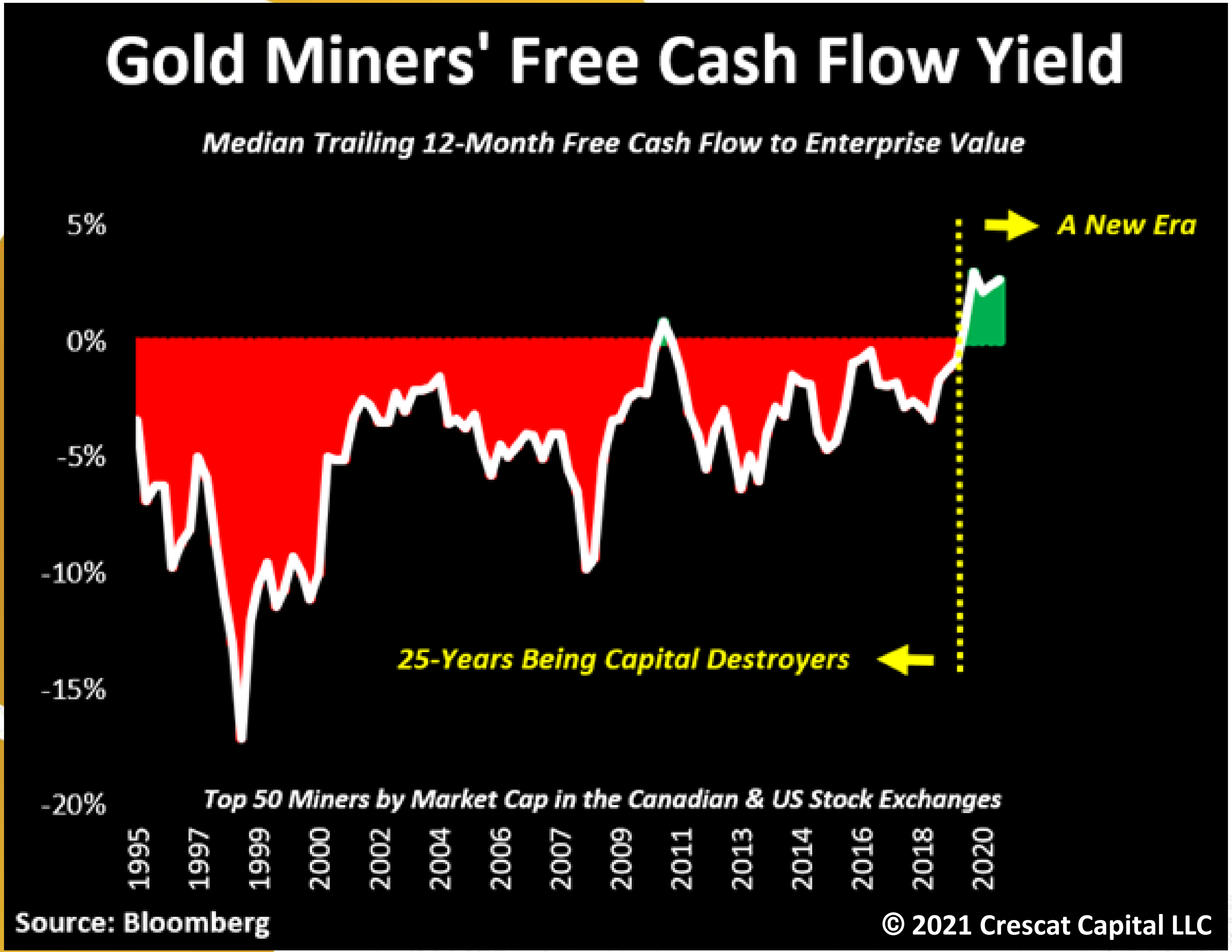
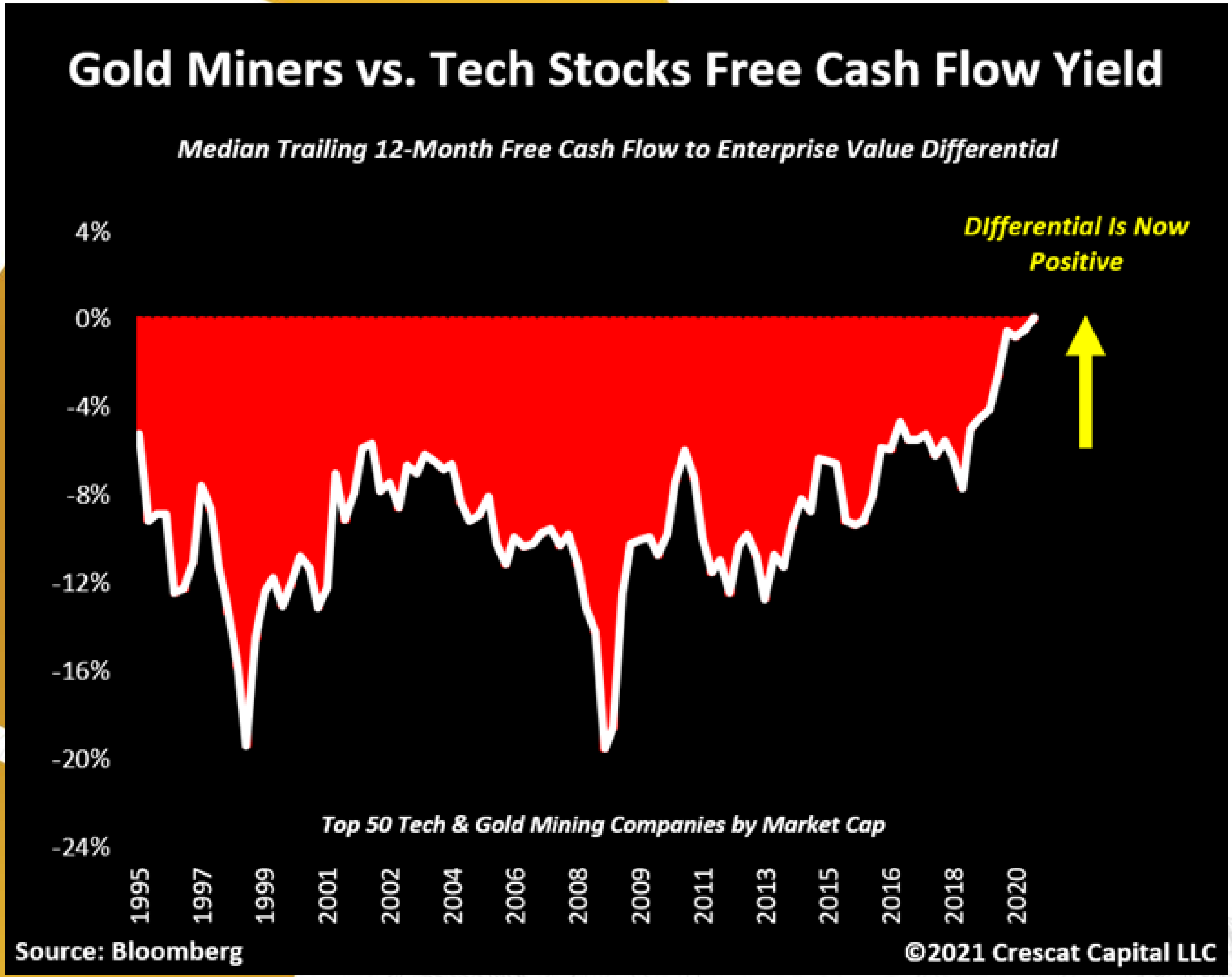
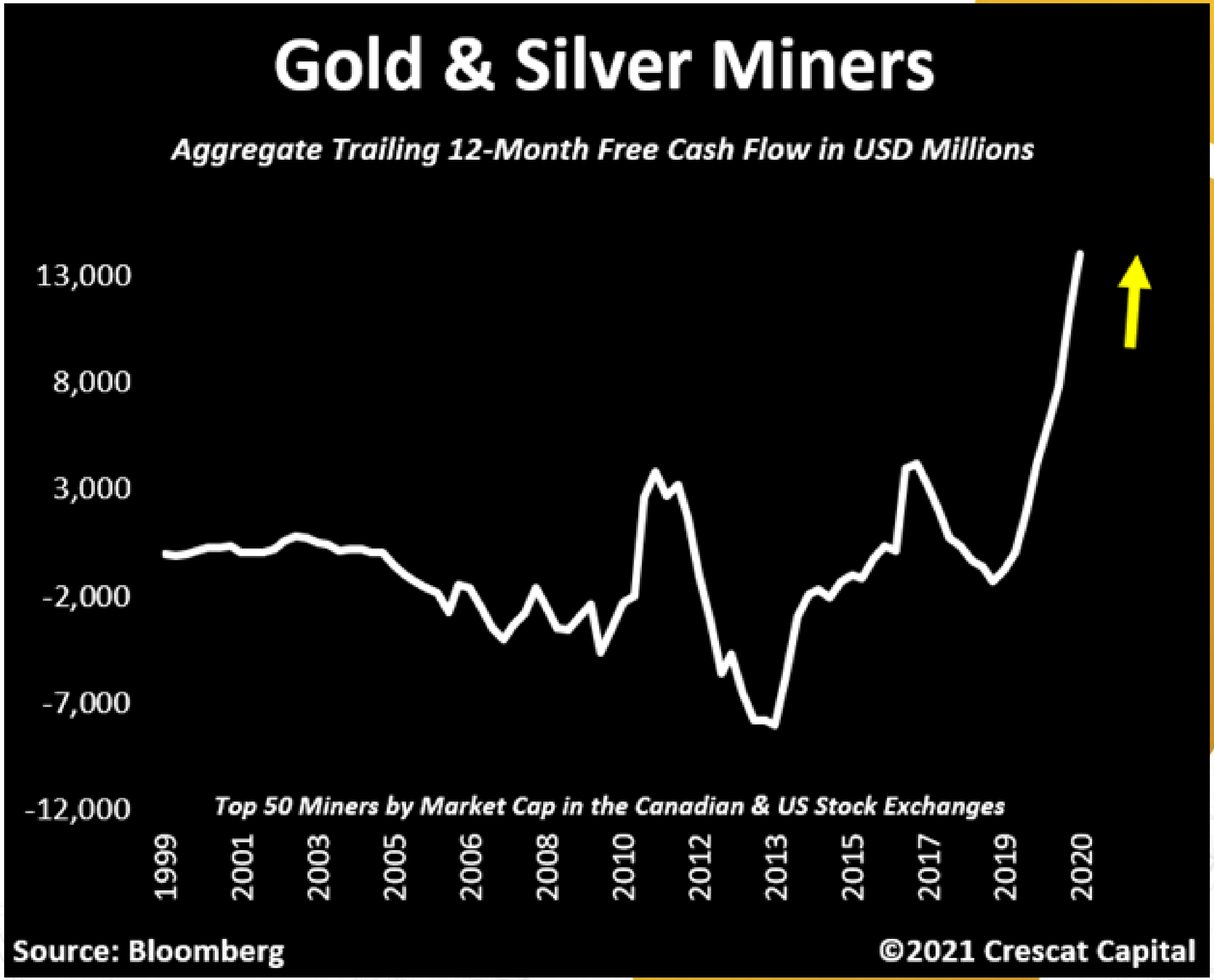


Gold and silver mining companies are the real beneficiaries of today's macro environment with strong balance sheets, high growth, and still incredible undervaluation.



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

We believe the recent pull back in gold, silver, and miners since August just gave us the perfect opportunity and timing to continue to raise capital and build a portfolio of companies with exceptional properties in strategic geologic locations worldwide.



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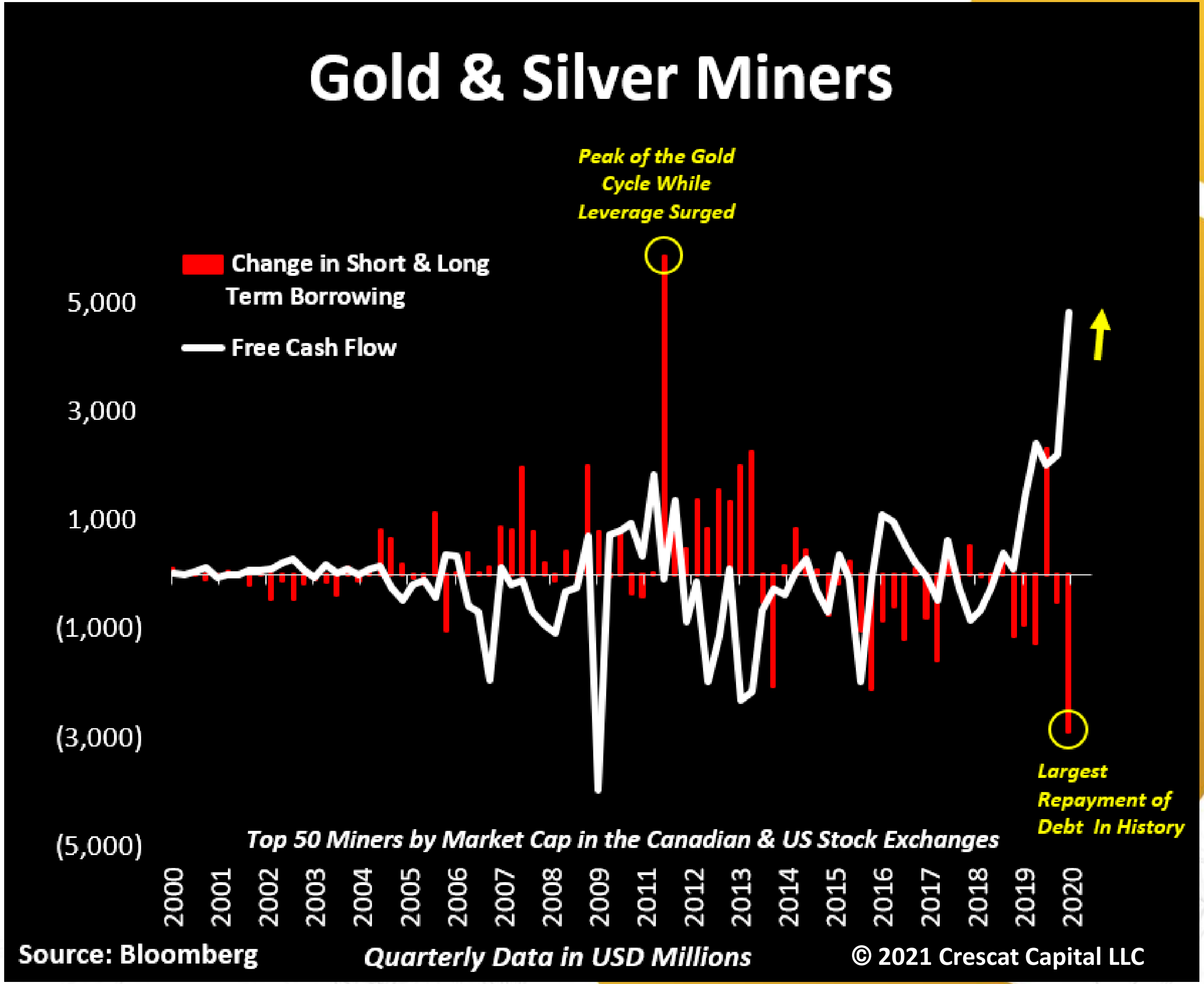
Gold & silver stocks just did their largest repayment of debt in history. They have never generated this much FCF in a quarter.



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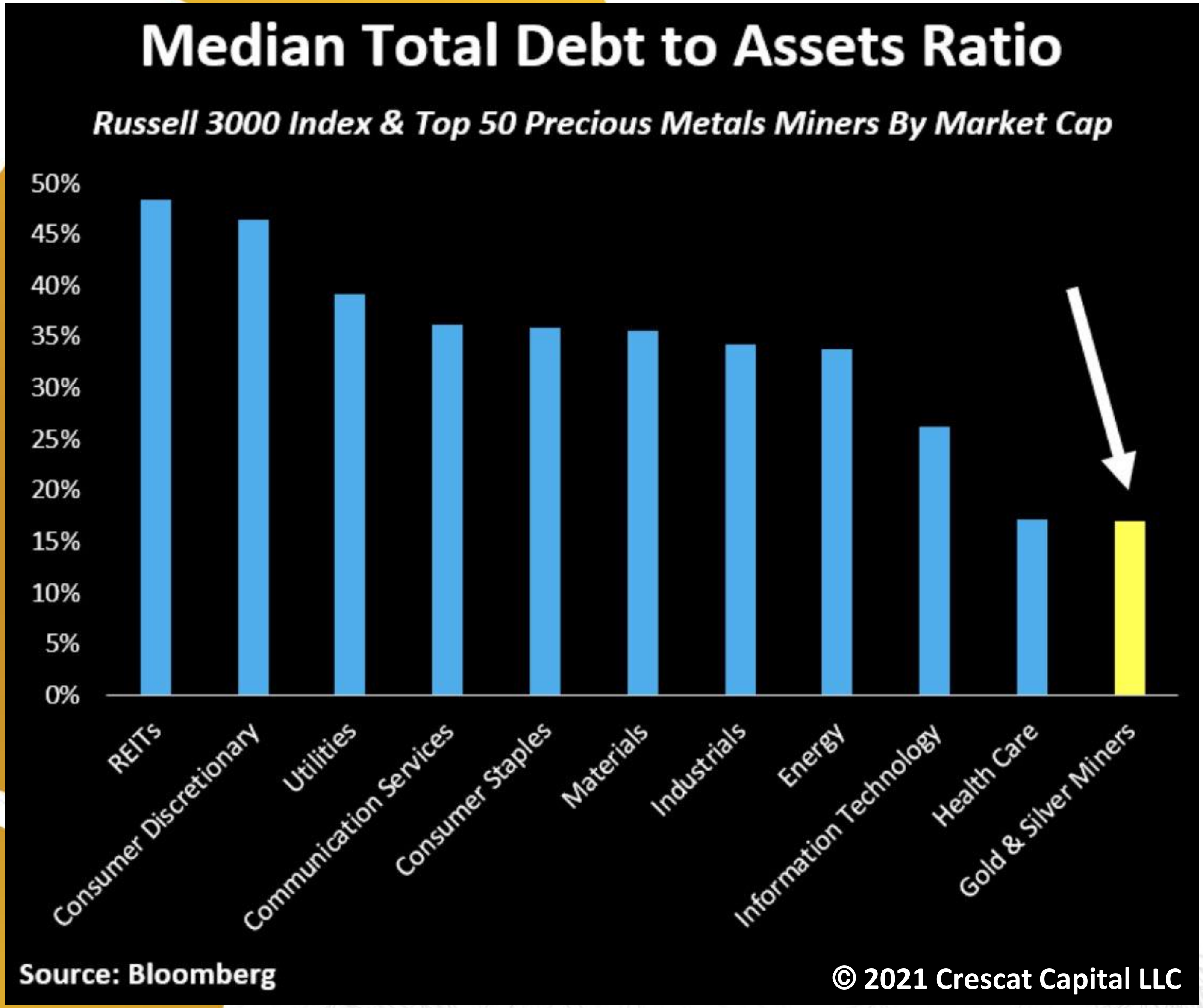
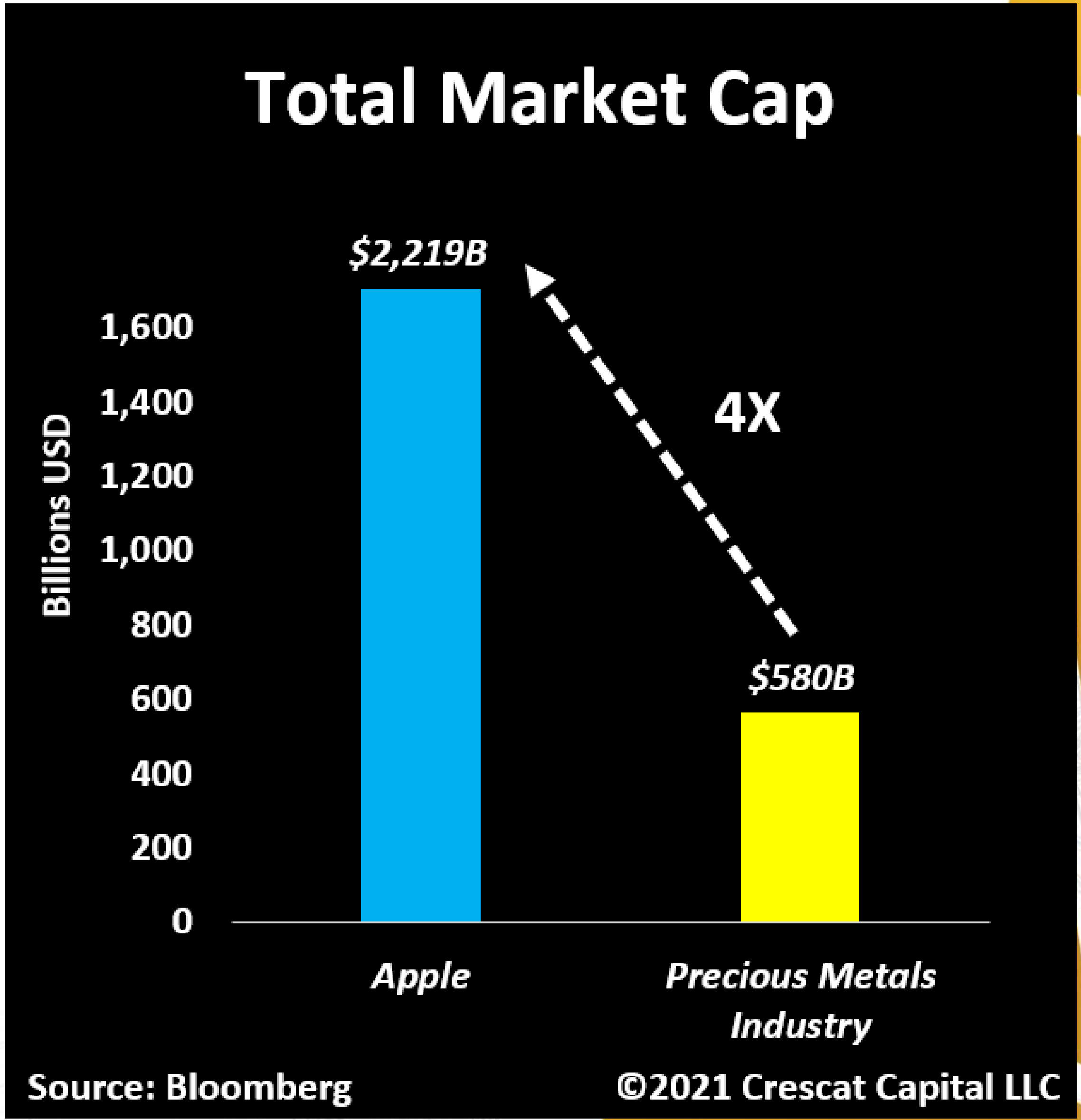


If precious metals stocks were a sector, they would have the cleanest balance sheets of them all.

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



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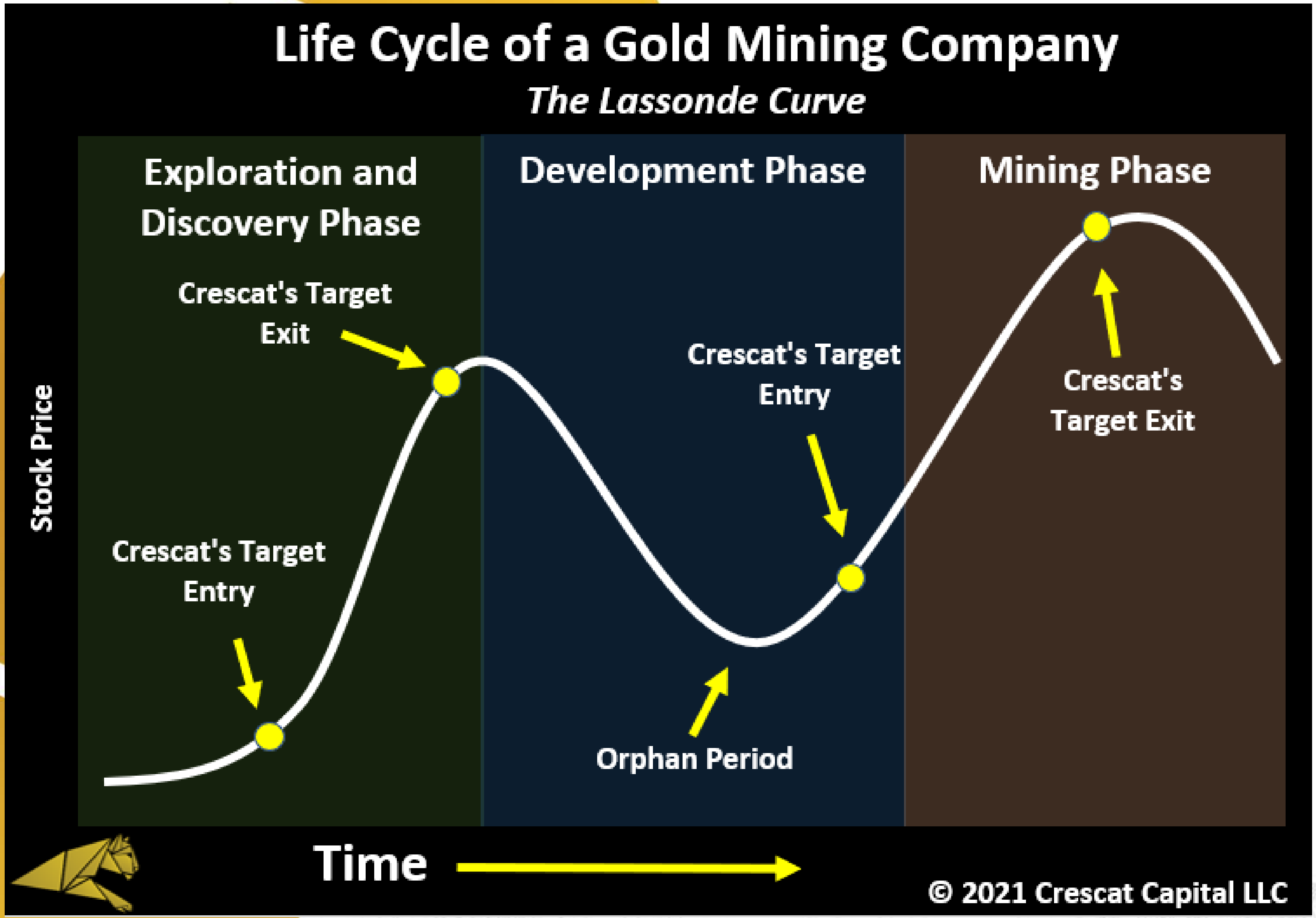
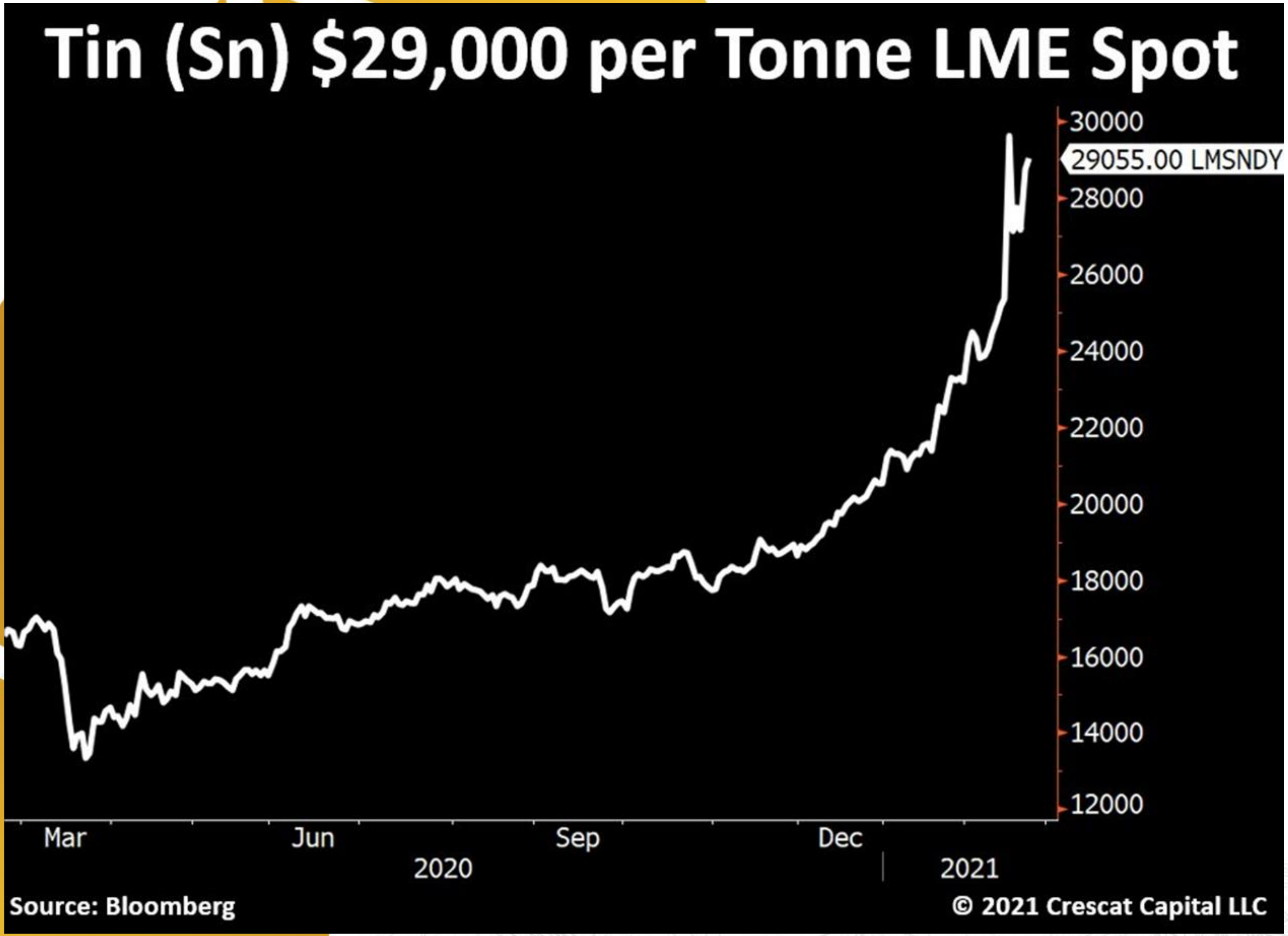


Crescat's Lassonde Curve displays our positioning in the precious metals mining industry. We seek to exploit mispriced opportunities on the exploration and discovery stage.



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

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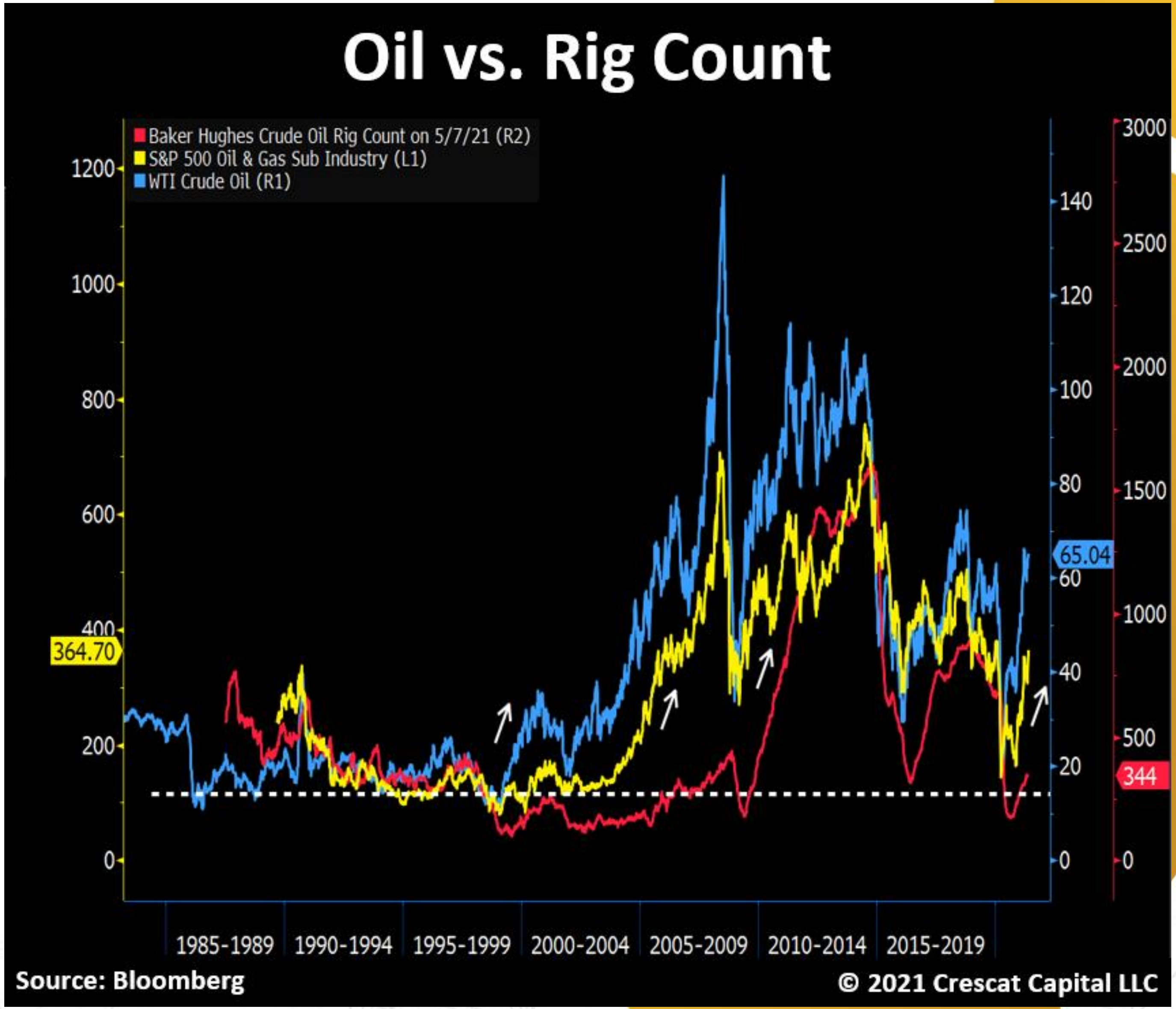
There could be a supply shortage in oil setting up for the next several years after the most drastic capex cuts in infrastructure and exploration we have seen in the history of this industry.



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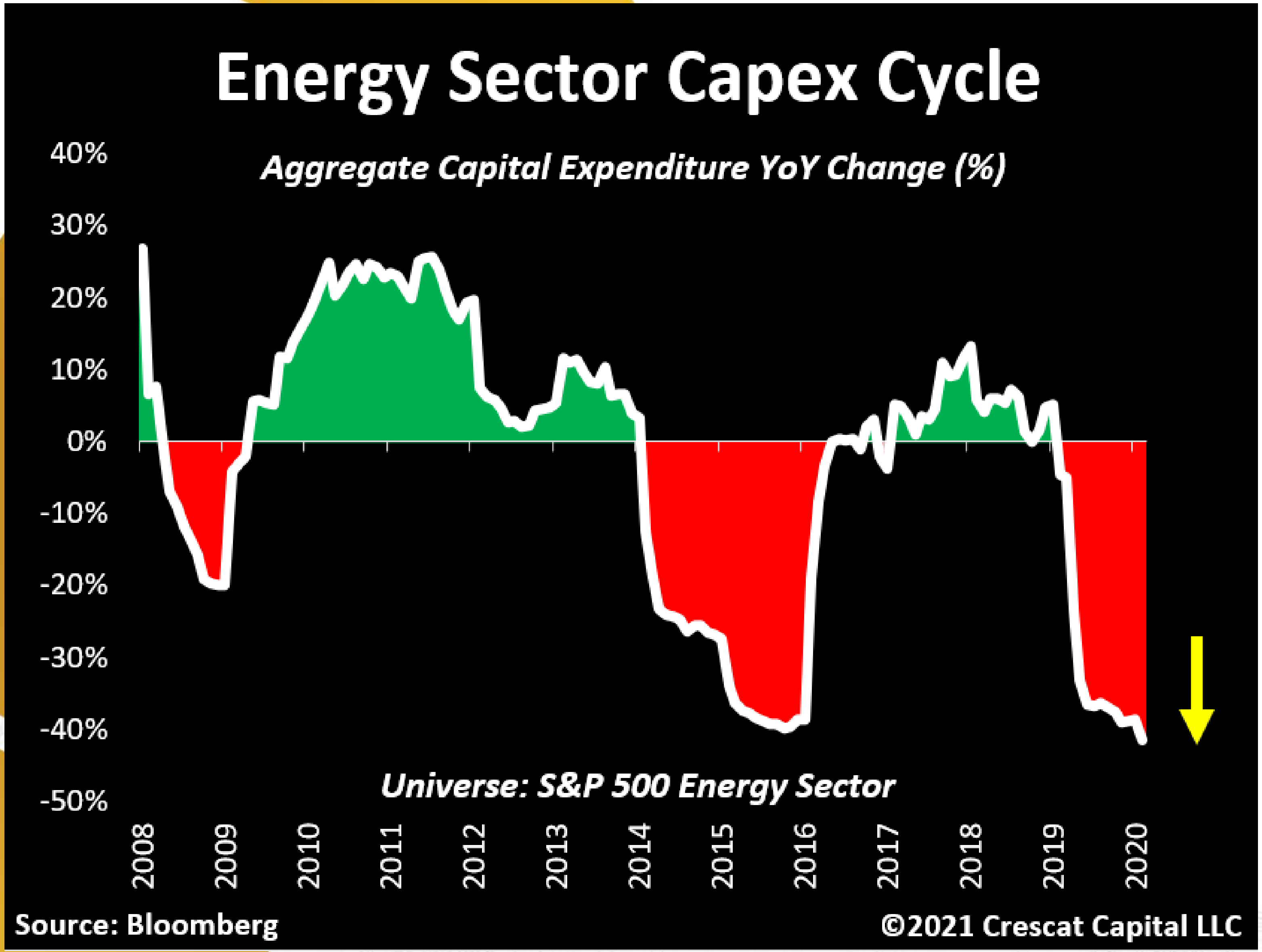

The same way the precious metals mining industry is reluctant to spend capital, oil companies are perhaps even more so. CAPEX for the S&P 500 energy sector is now falling at its steepest level in the last 12 years.

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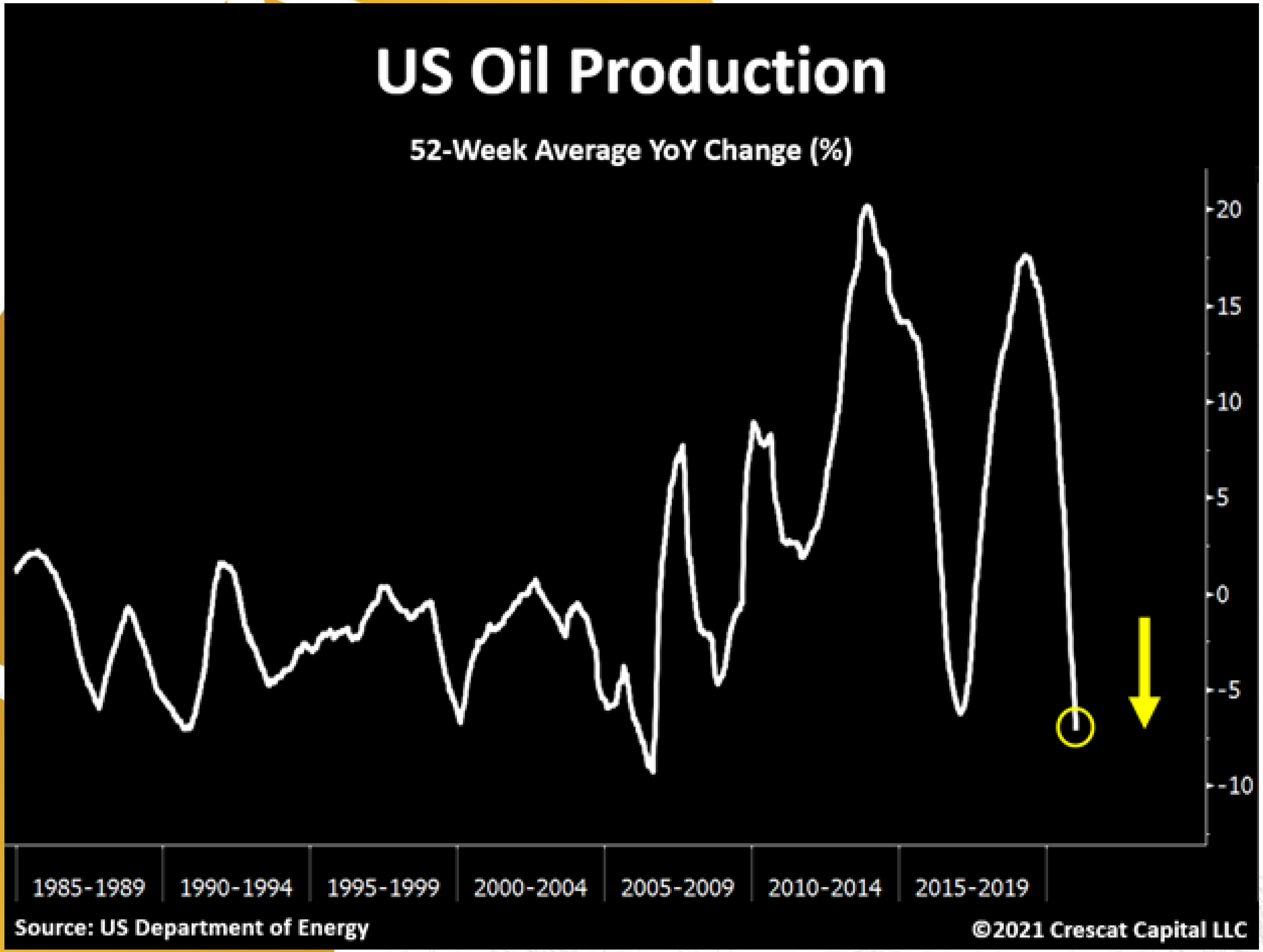
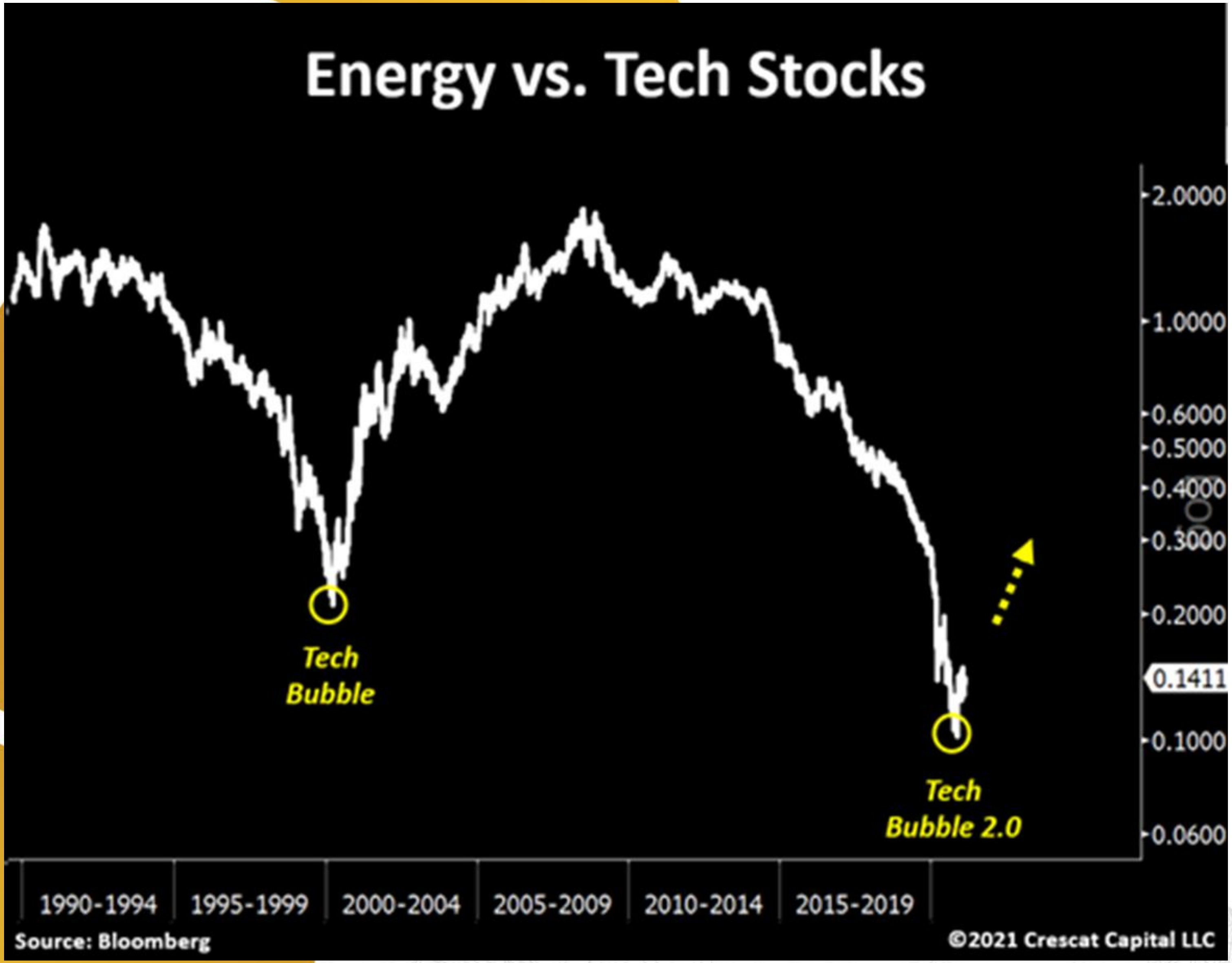


Along with the recent production cuts by OPEC of 1 million barrels a day, US oil production is also in free fall.



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

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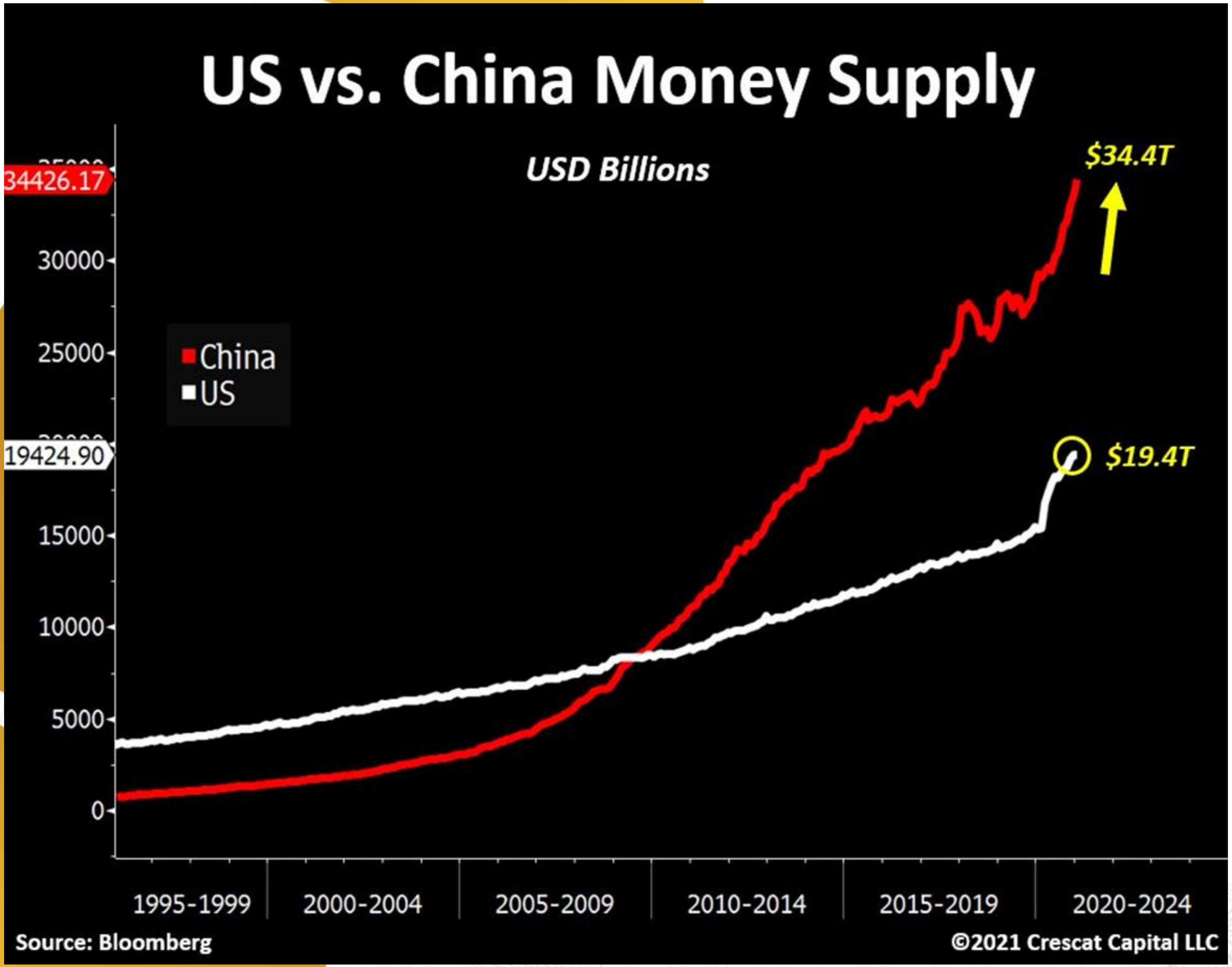
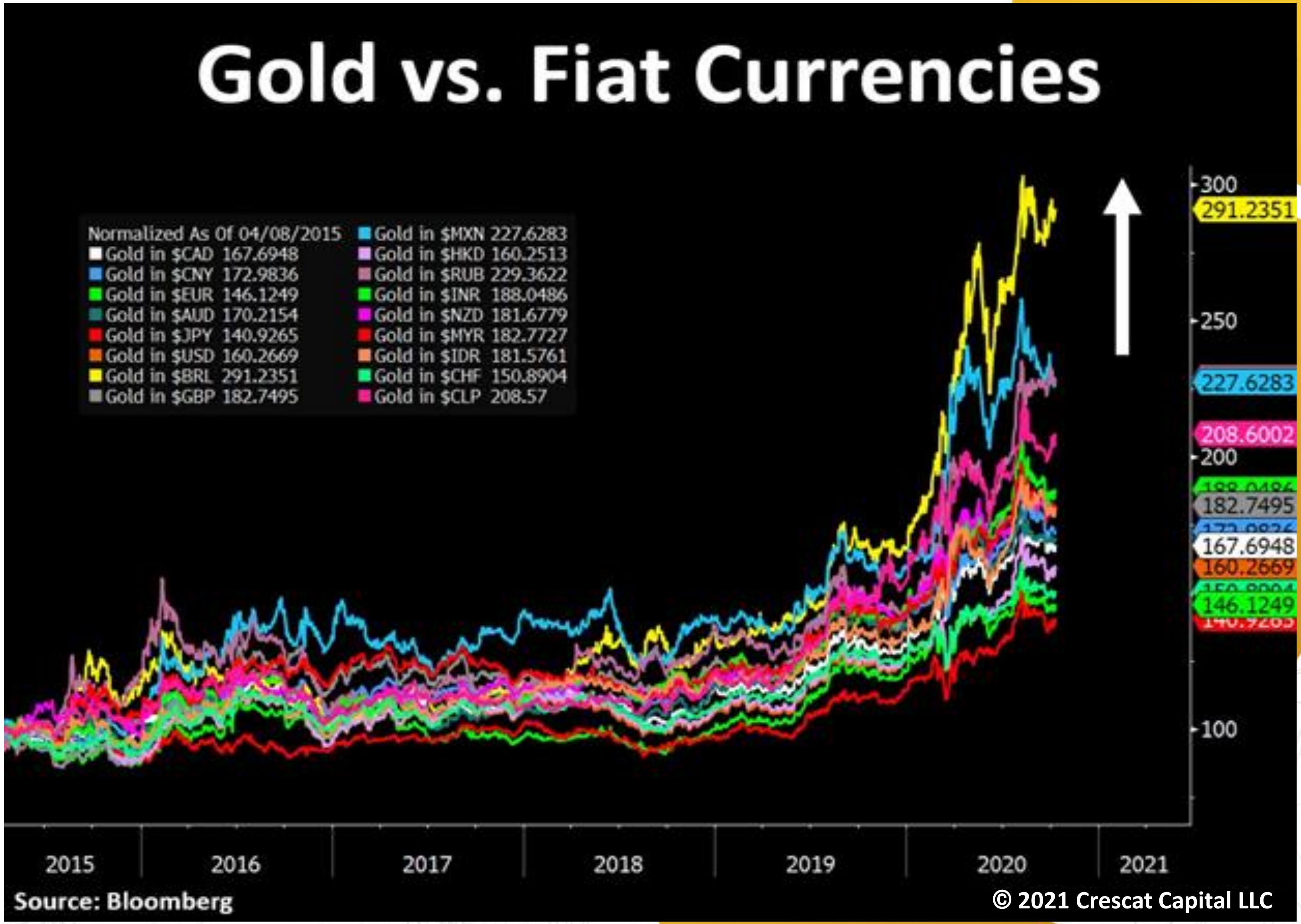


China’s money supply is now 81% higher than the US.

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



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