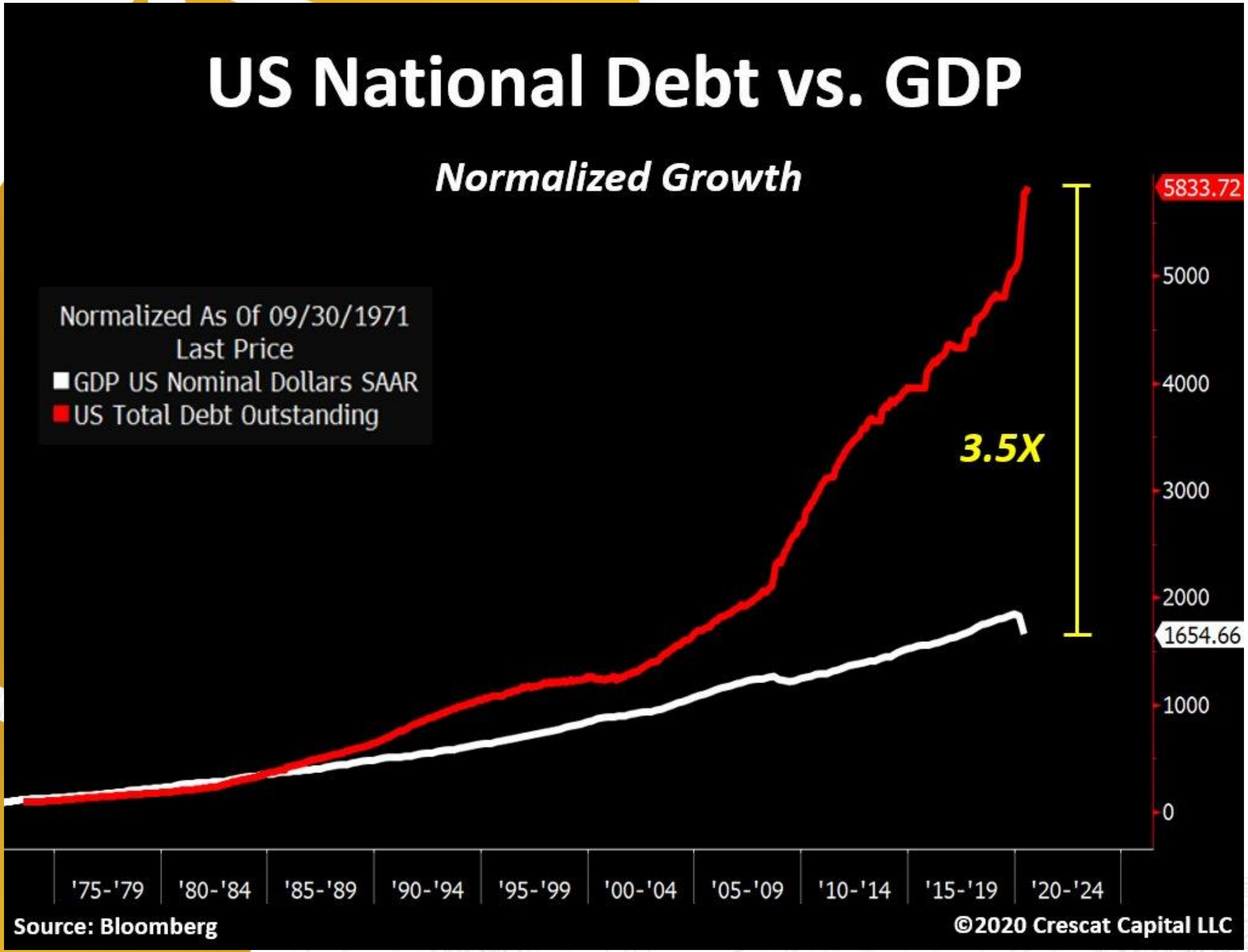
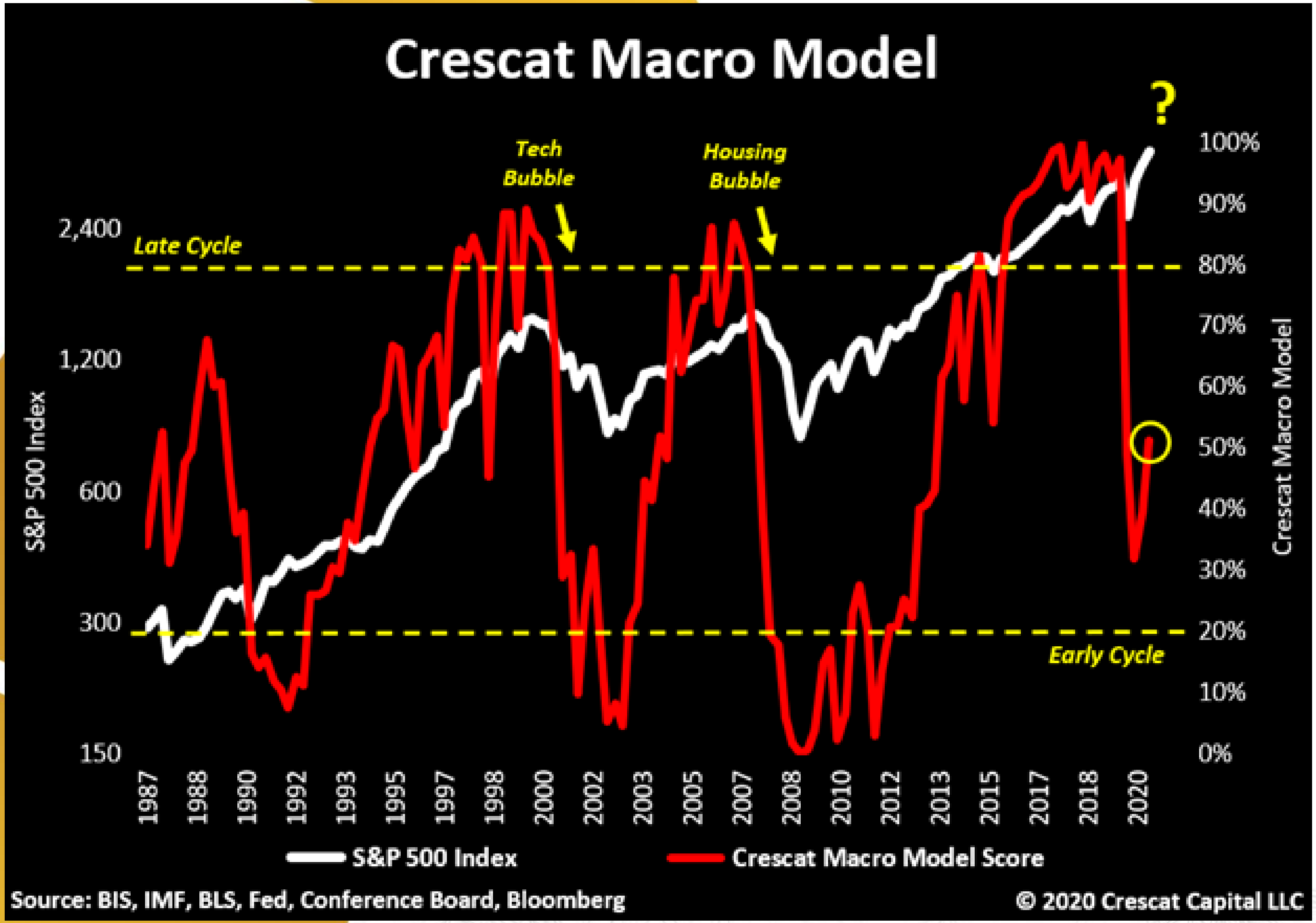
CRESCAT CAPITAL®

THE VALUE OF GLOBAL MACRO INVESTING

Crescat Macro Deck Presentation I December 2020

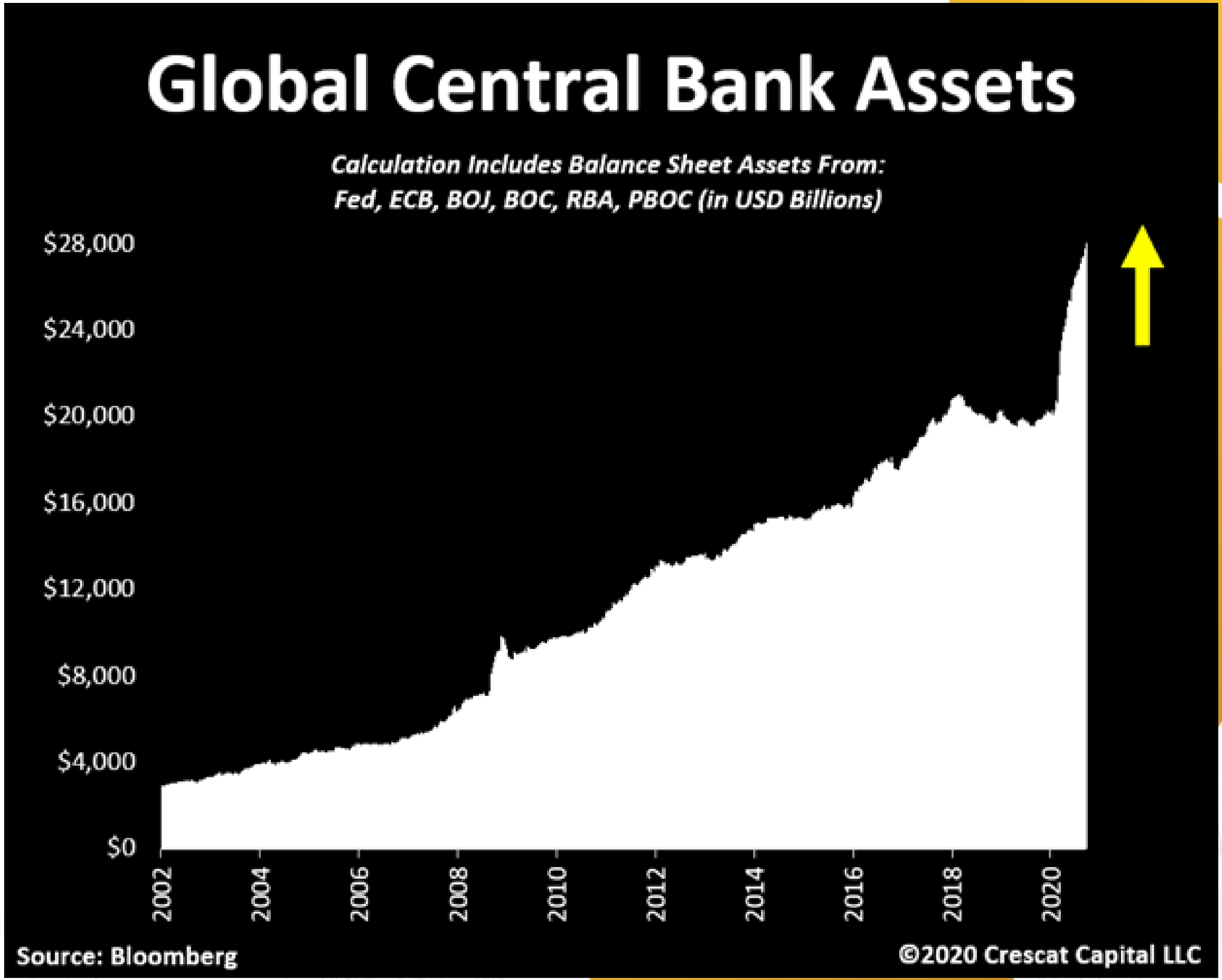


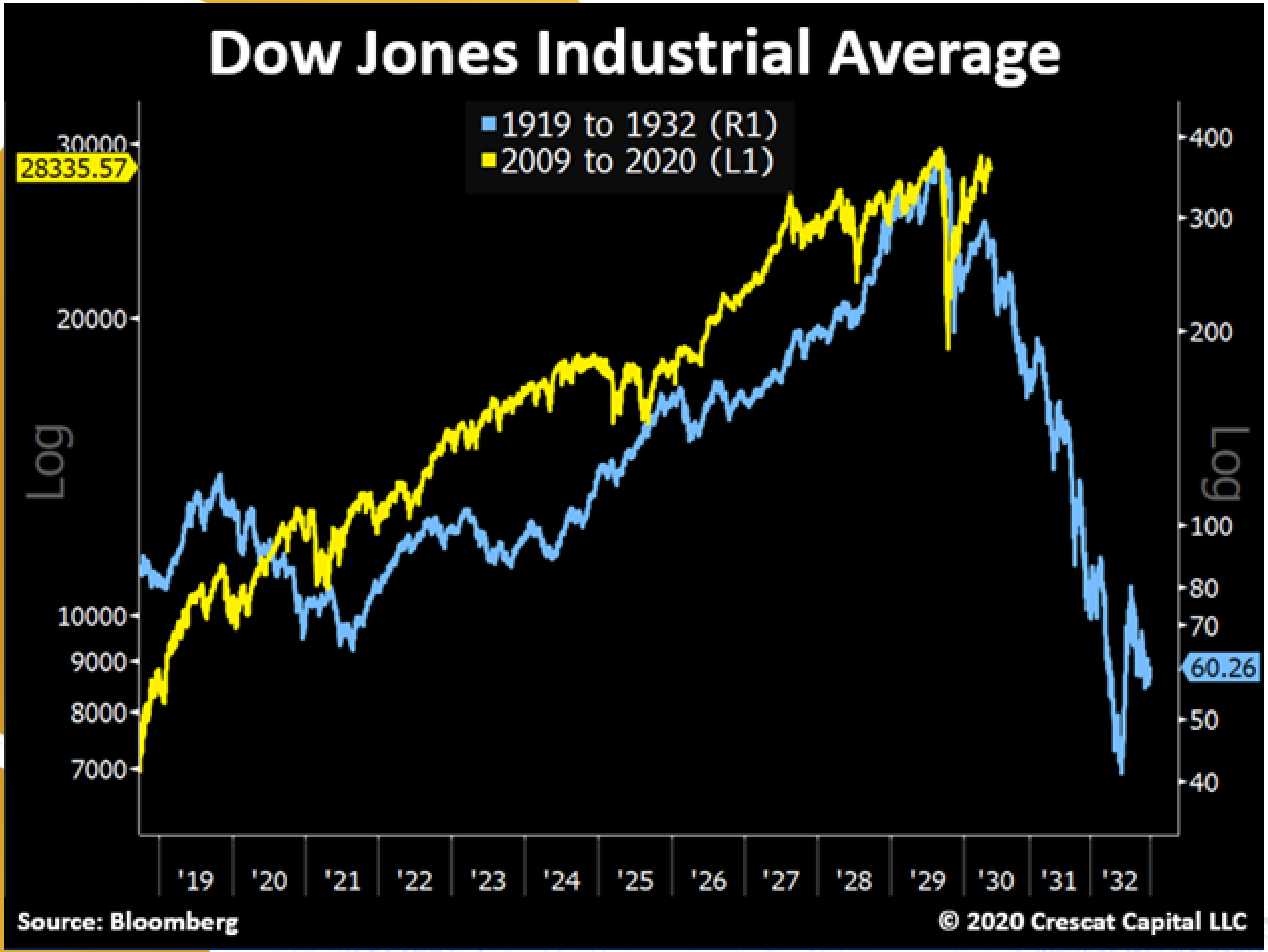
National Debt has grown over 3.5x nominal GDP since the break of the gold standard.



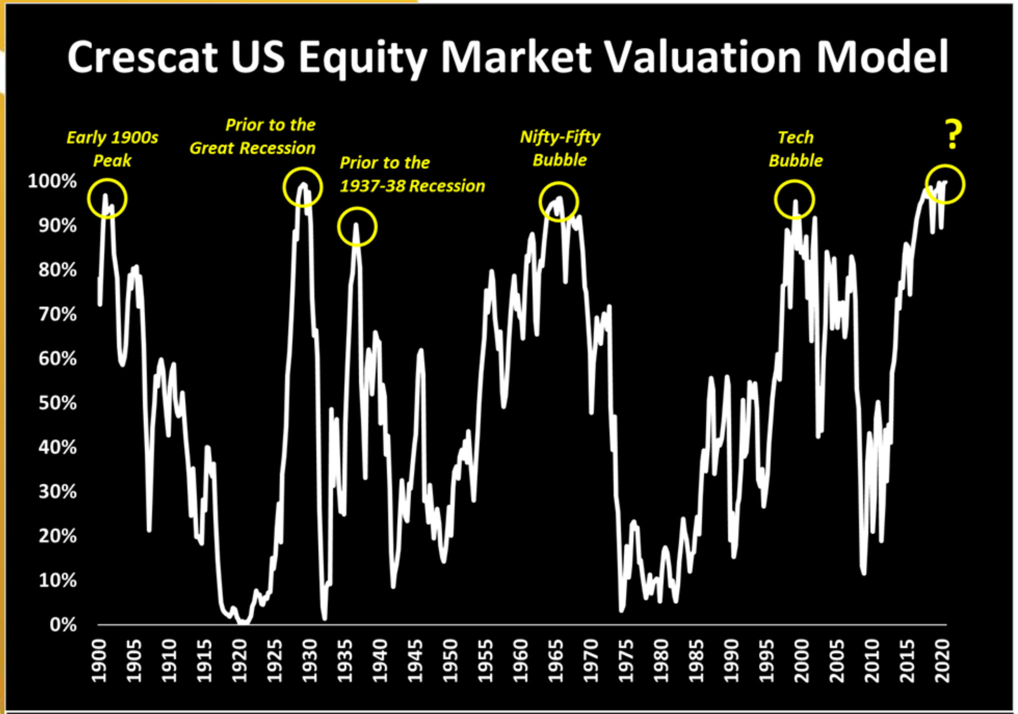
Our recently plunging macro model from an extreme is signaling a major disconnect with current stock prices.

In 2020, central bank asset growth has inflected upward to surpass the $28 trillion mark.





The macro set-up today is eerily similar to the stock market crash of 1929 to 1932.



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 November of 2020

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

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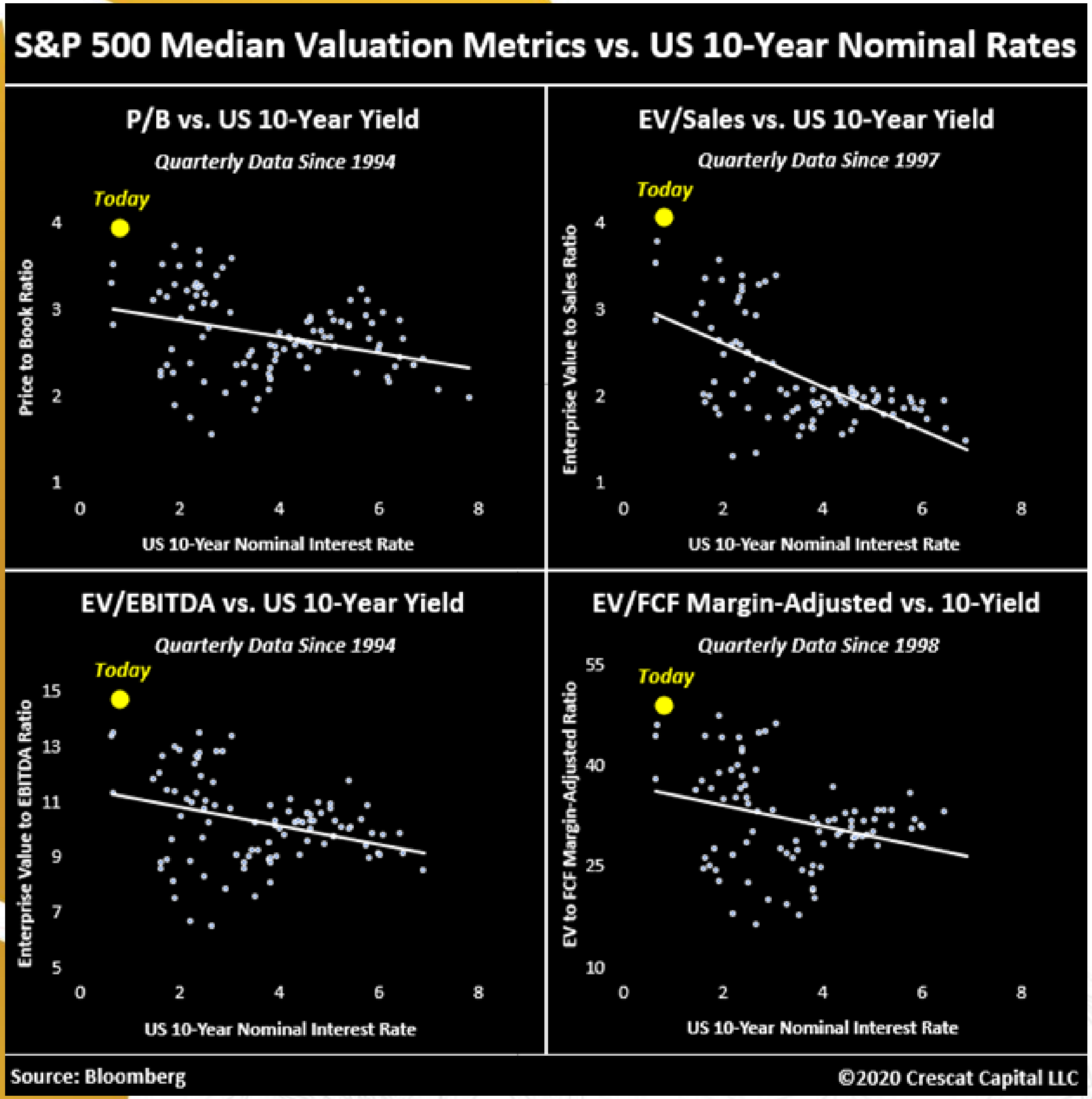
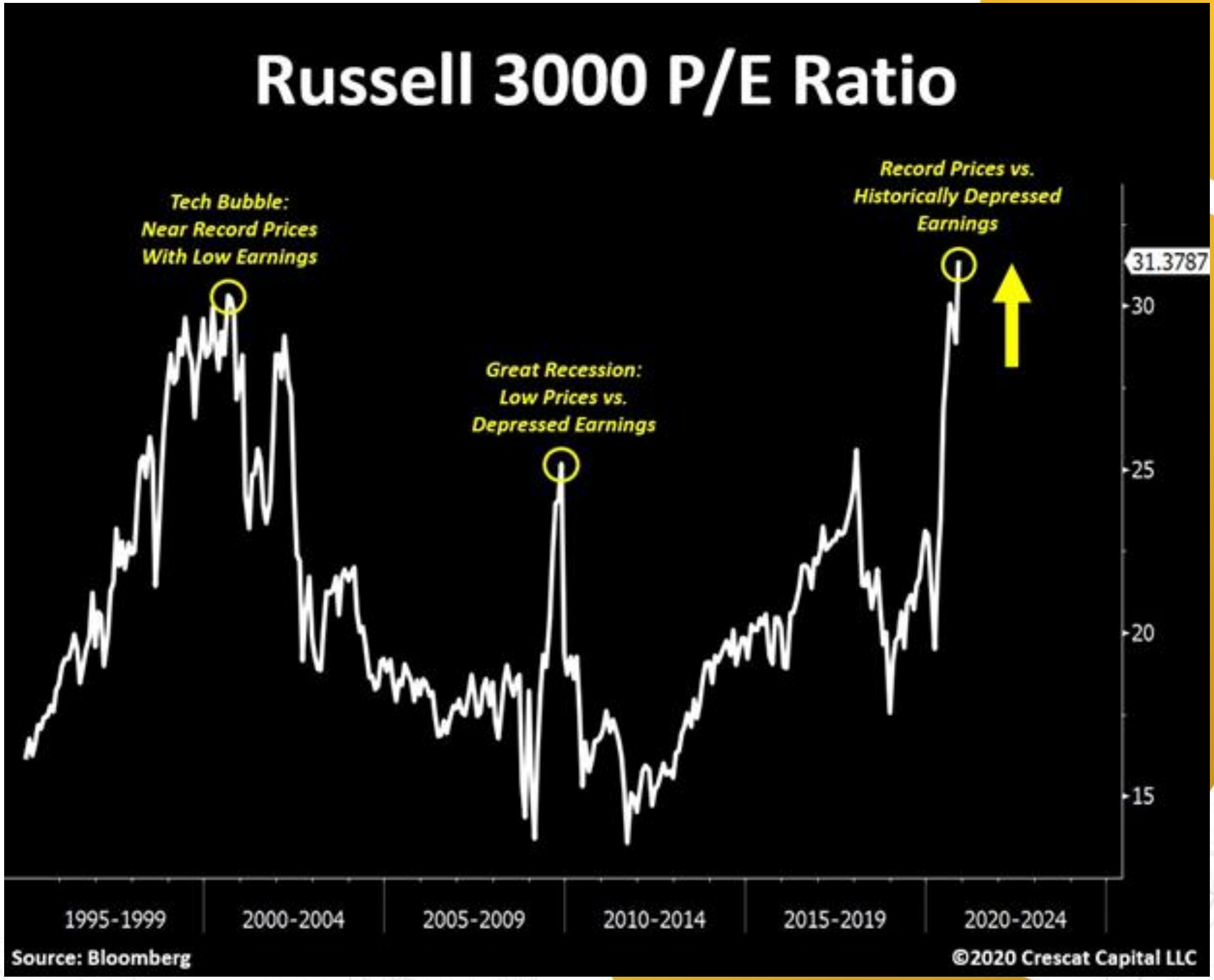


Four different valuation metrics using median S&P 500 company data. Today's stock market multiples are the most extreme relative to interest rates in the last 25 years.

The aggregate P/E ratio for the Russell 3000 index is now higher than the tech bubble.



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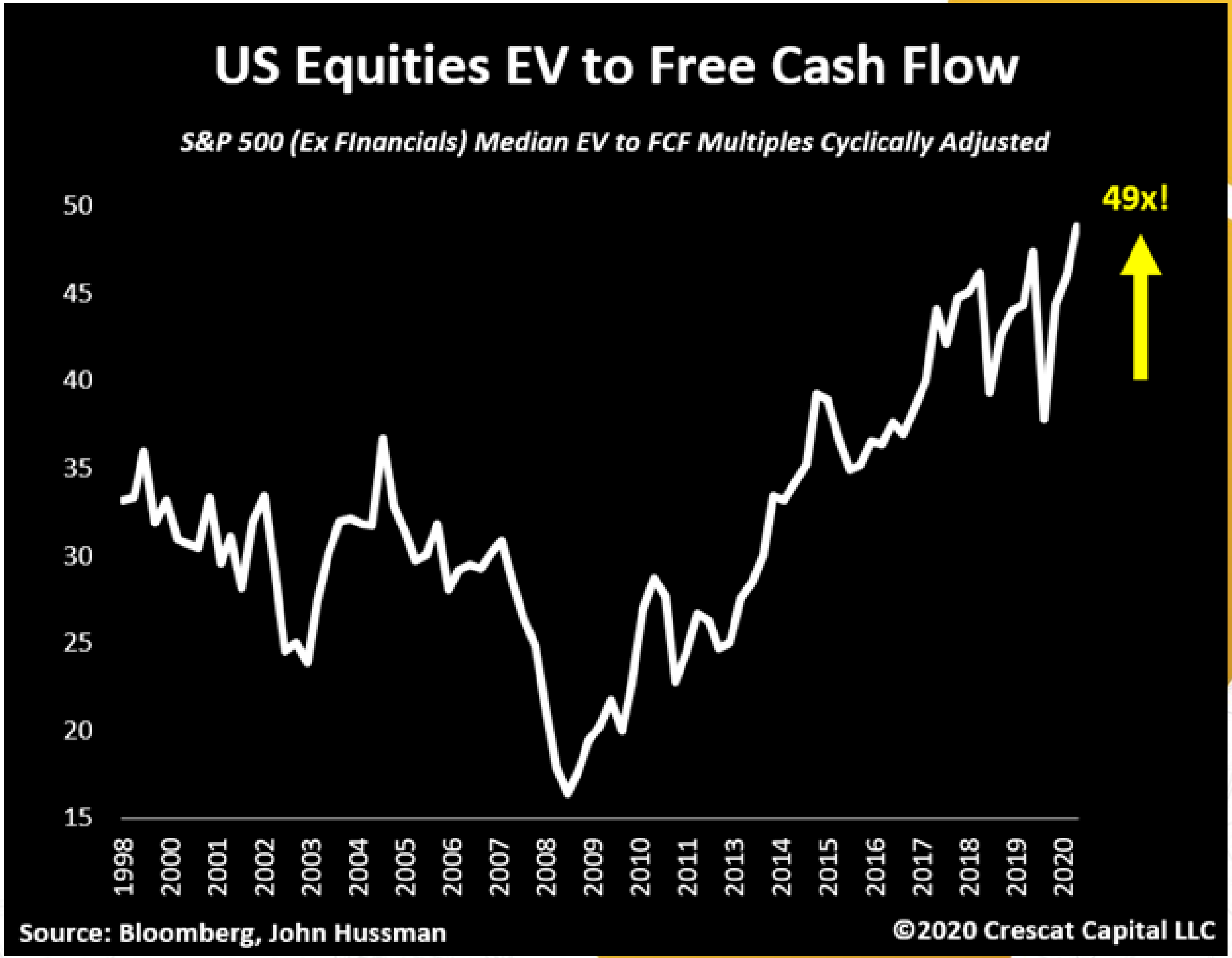
Enterprise value compared to FCF illustrates the extreme valuation risks in today's stock and corporate bond market.



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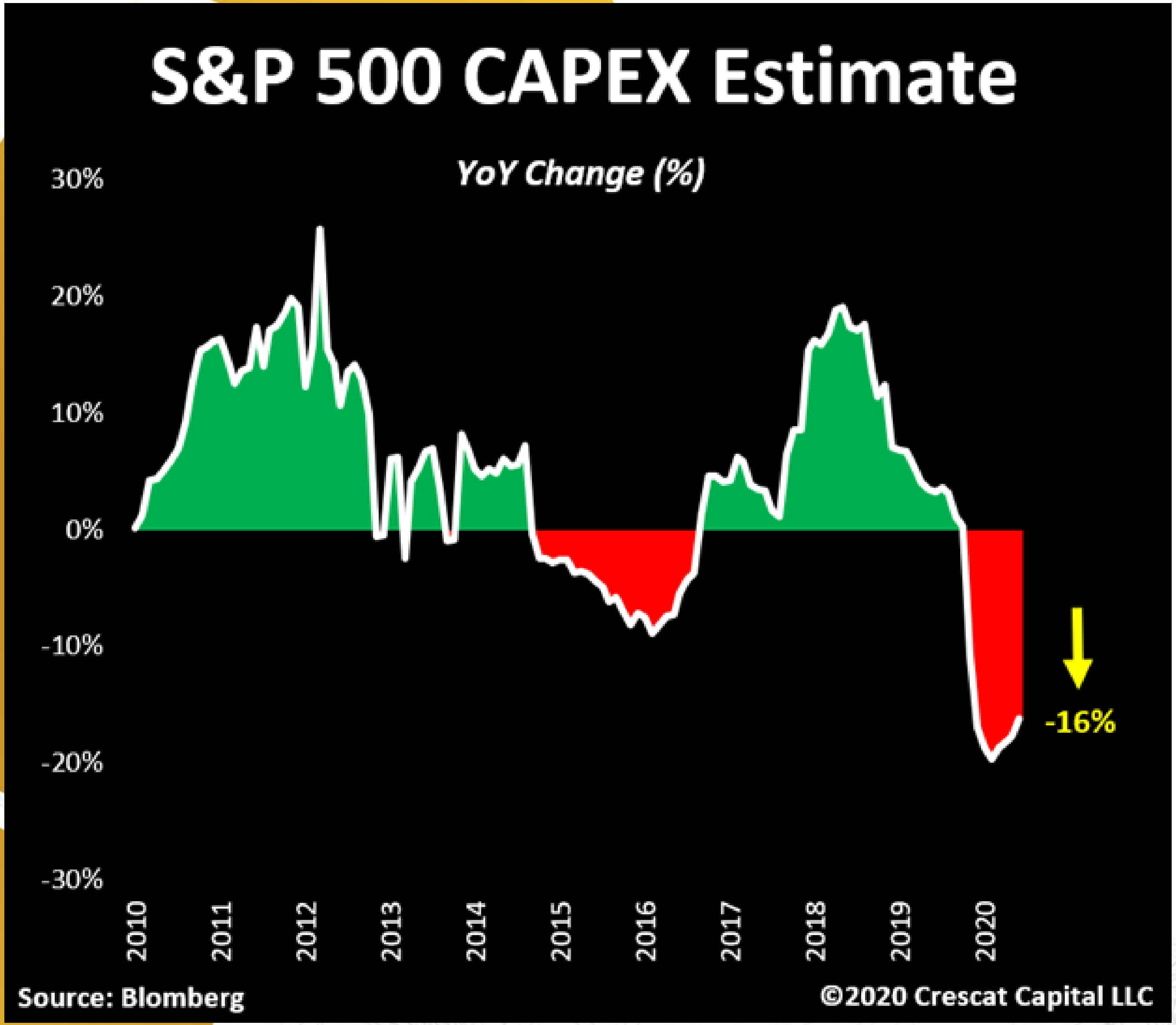
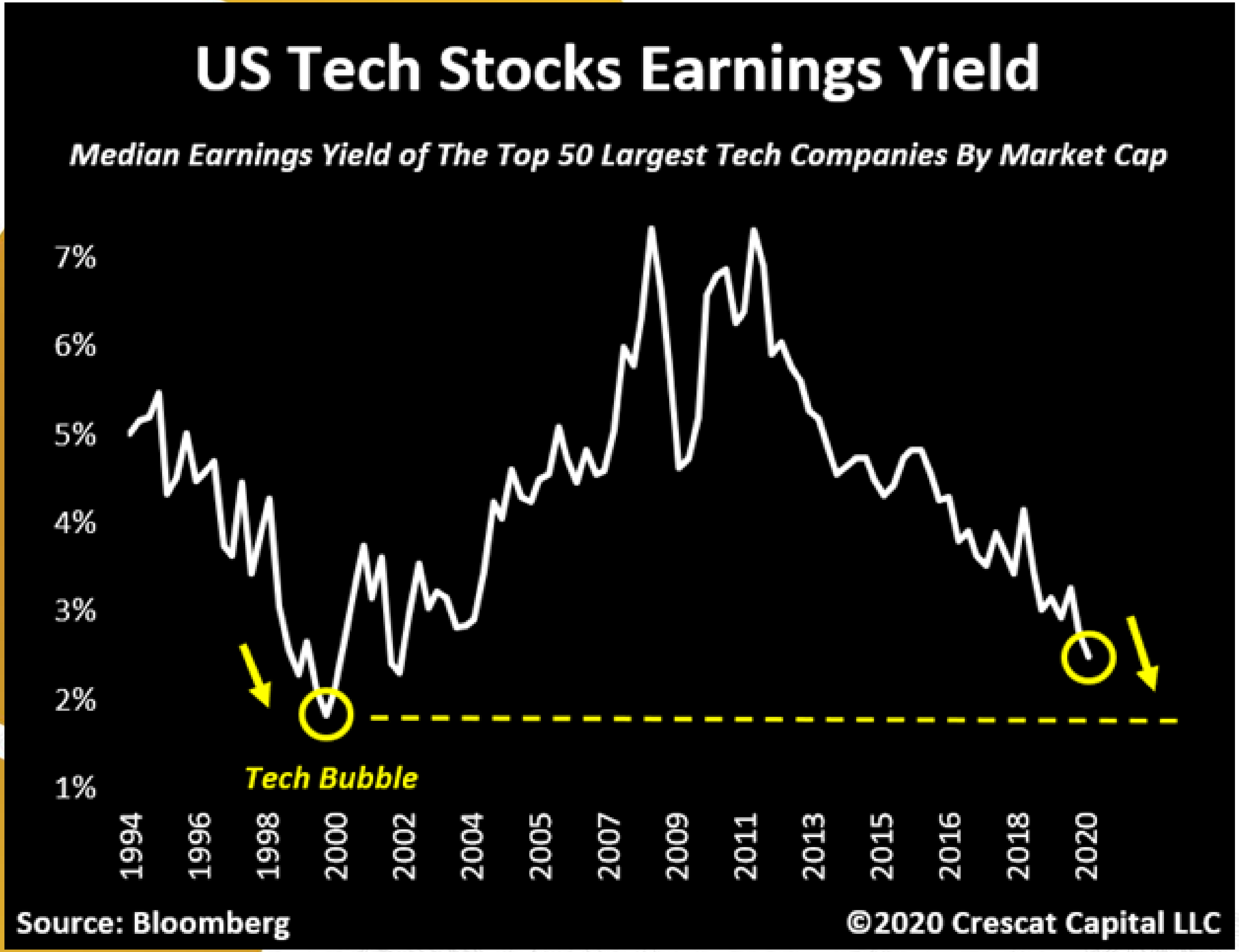


Lack of capital spending by US corporations should continue to drag on economic activity.

The aggregate market cap of info tech companies now represents a record 43% of US GDP



On a median basis, rather than market weighted measurements, earnings yield for the tech sector is now almost as low as it was in March 2000.

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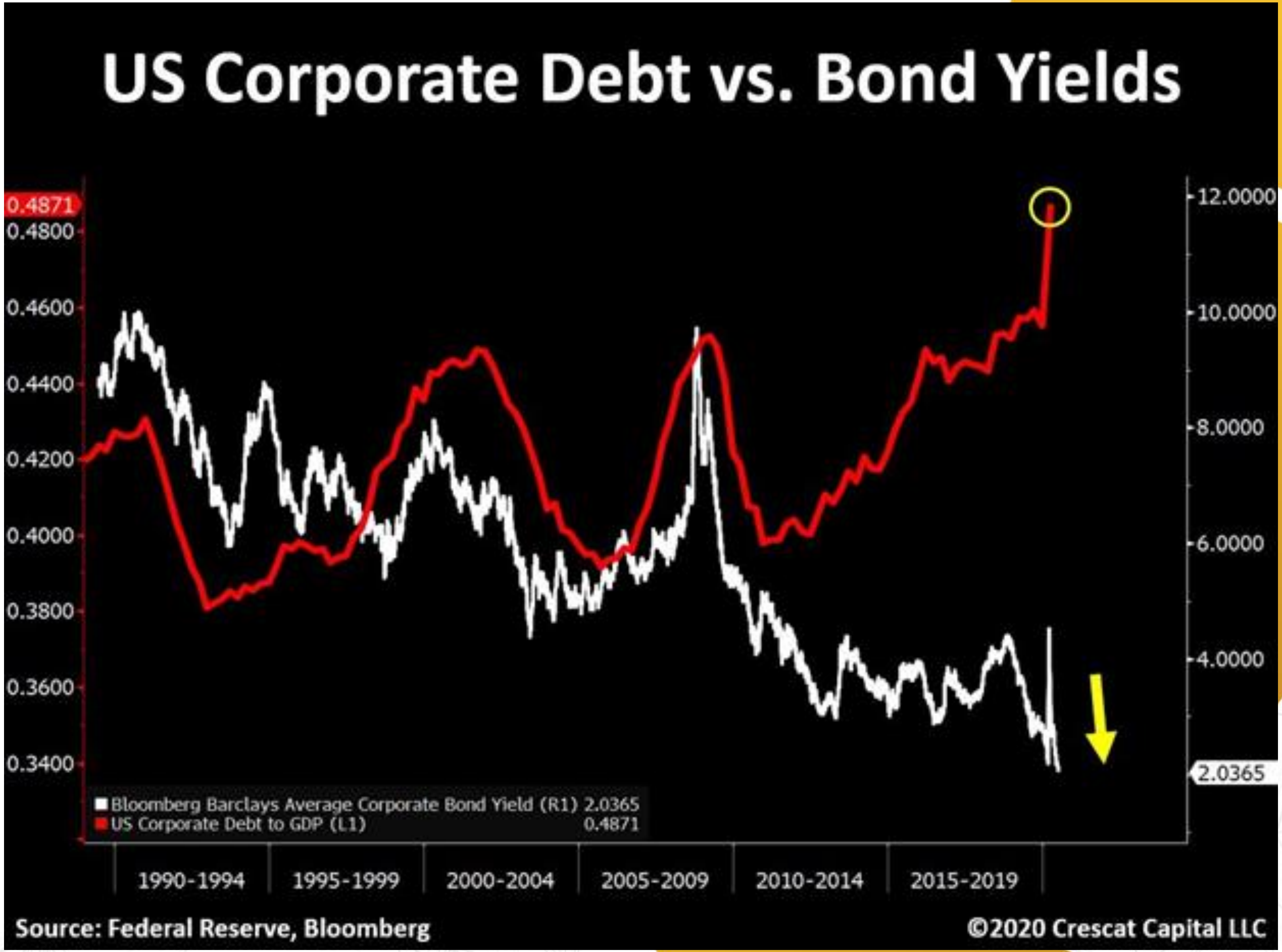
The US corporate bond market has become one the most central bank dependent parts of financial markets today.



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

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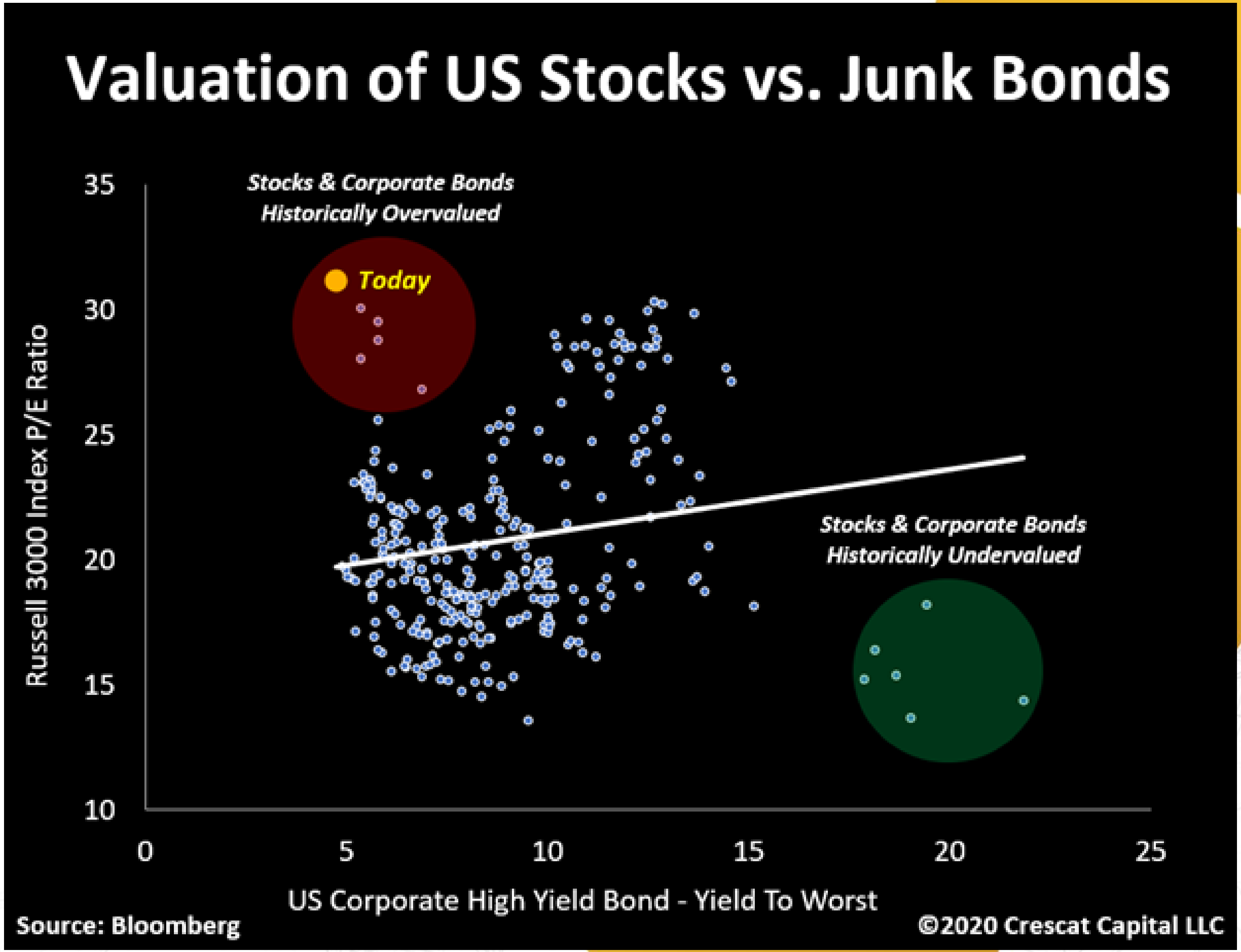
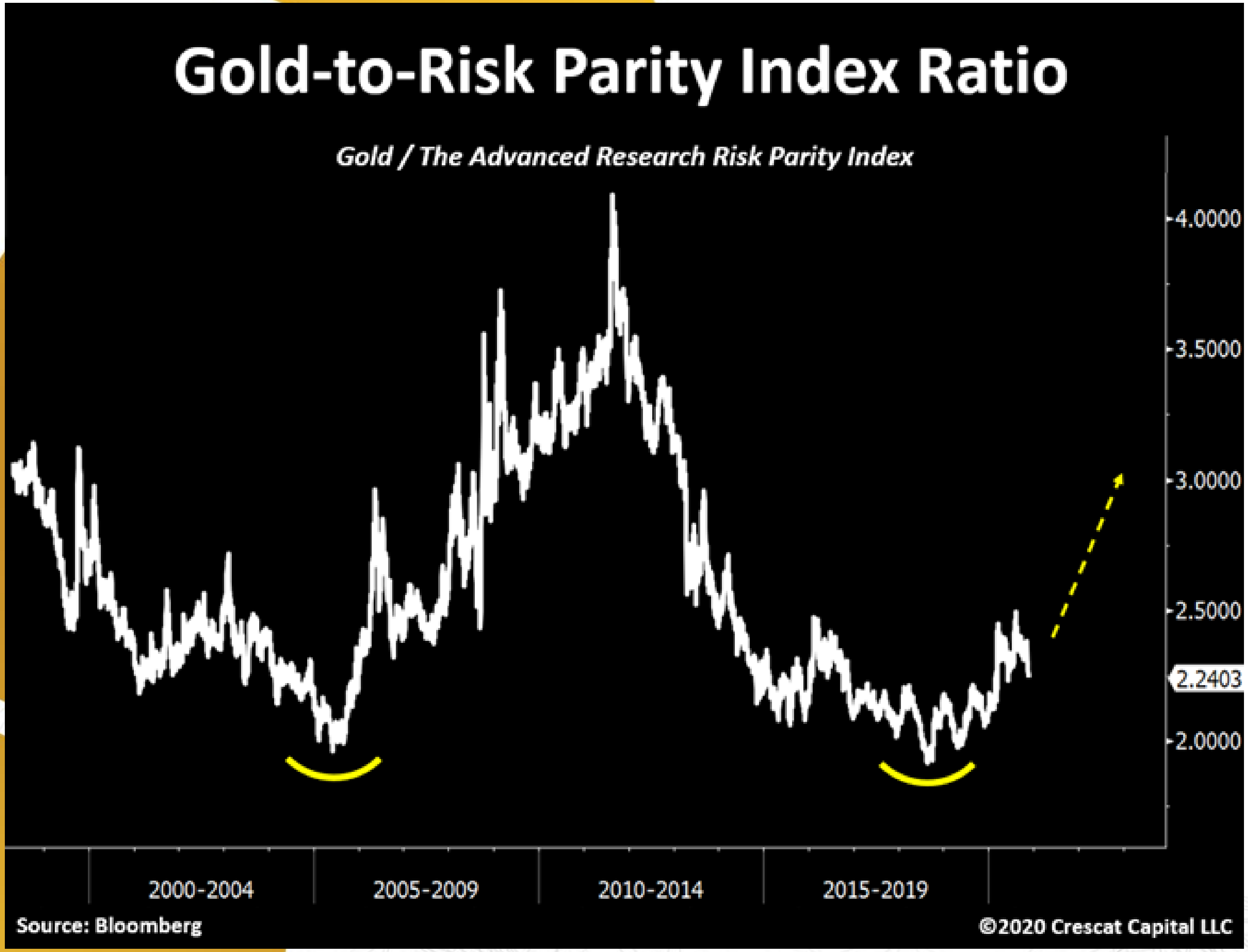
For the first time in history, junk bonds and stocks are record overvalued in tandem.





After 2011, the gold-to-risk parity ratio went through a precipitous downward trend that began to reverse in the fourth quarter of 2018. This ratio seems to have formed a double bottom.

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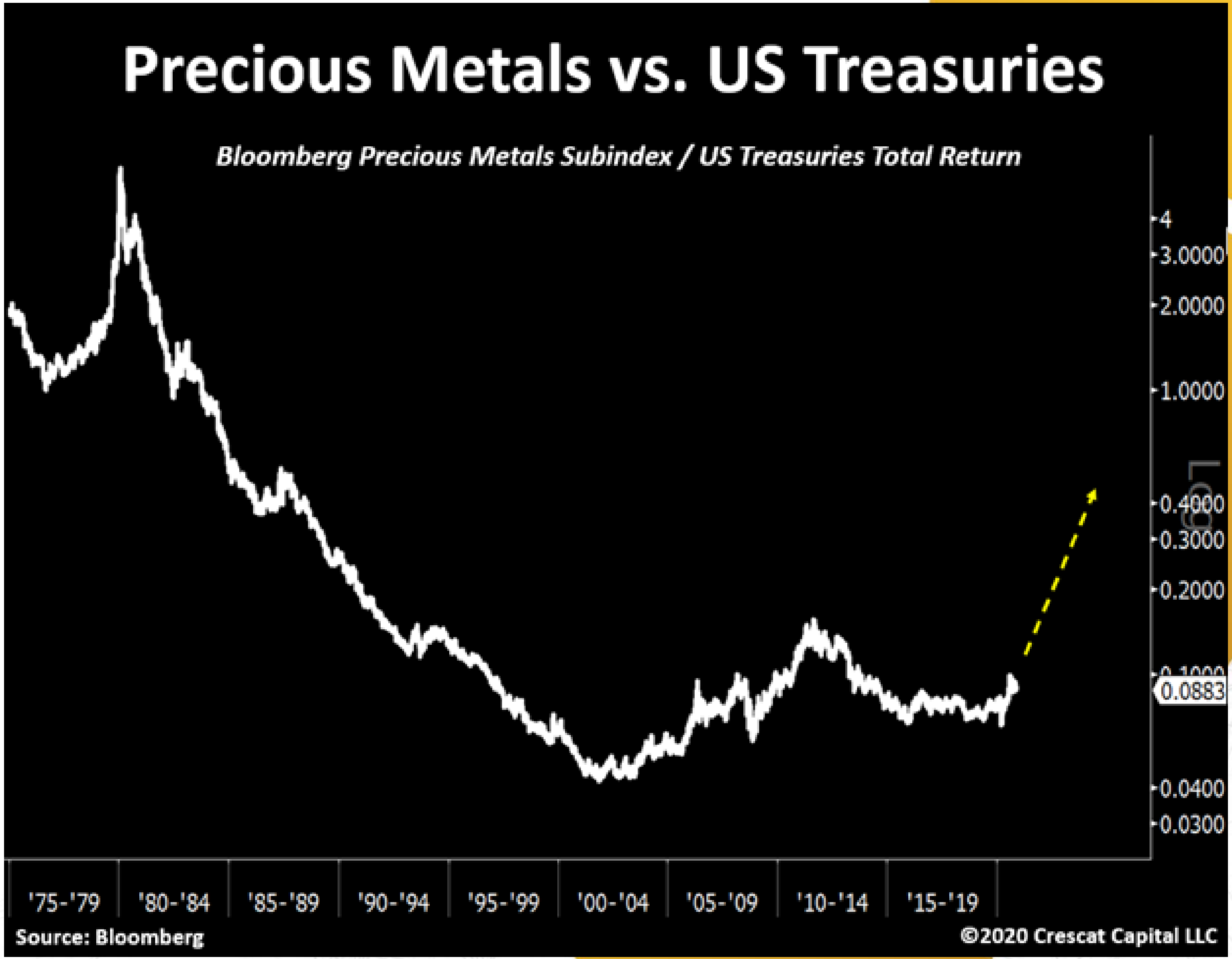
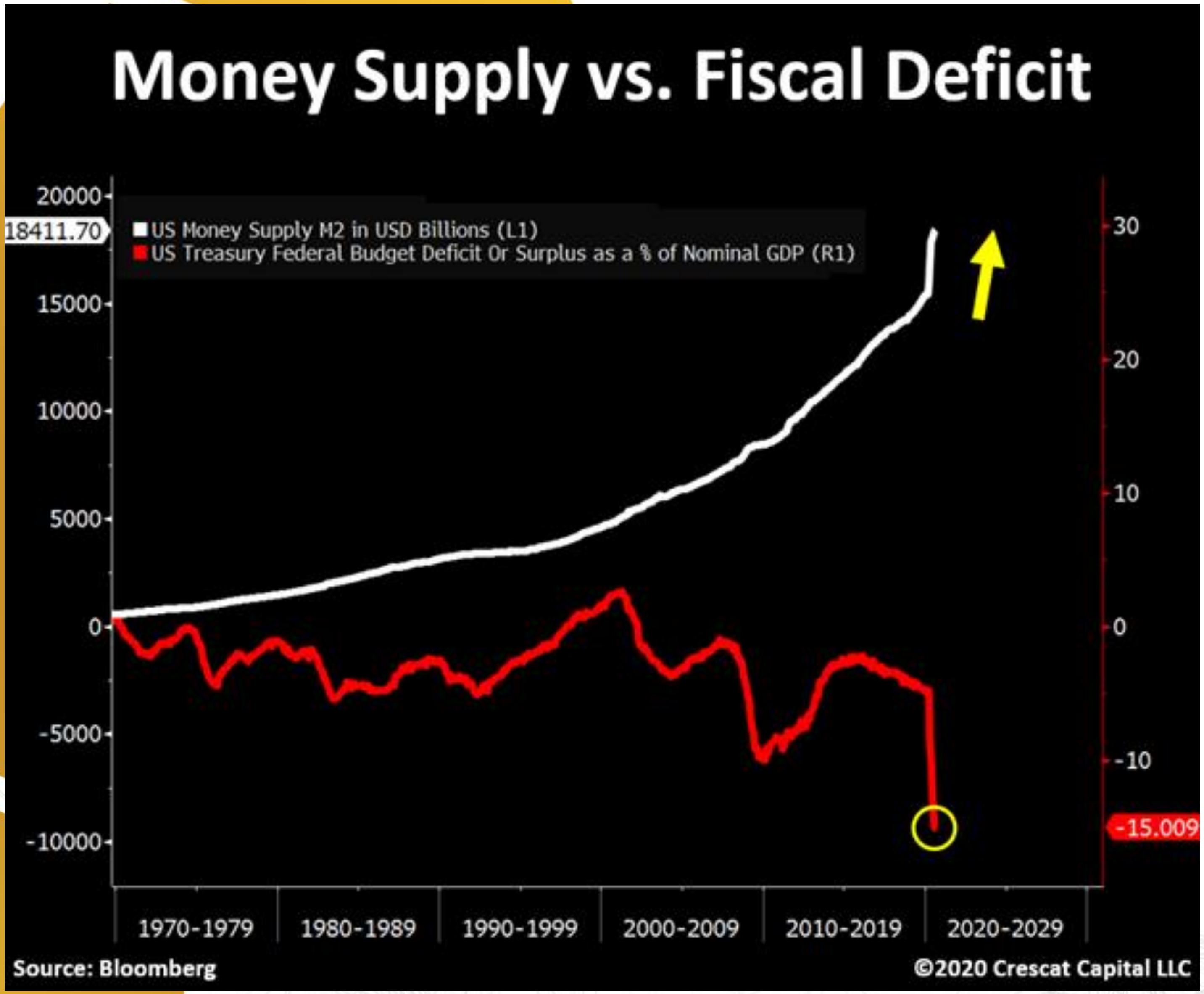


The Precious Metals to US Treasuries ratio is still near all-time lows. In years to come, we believe investors will favor gold and silver over sovereign assets.



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

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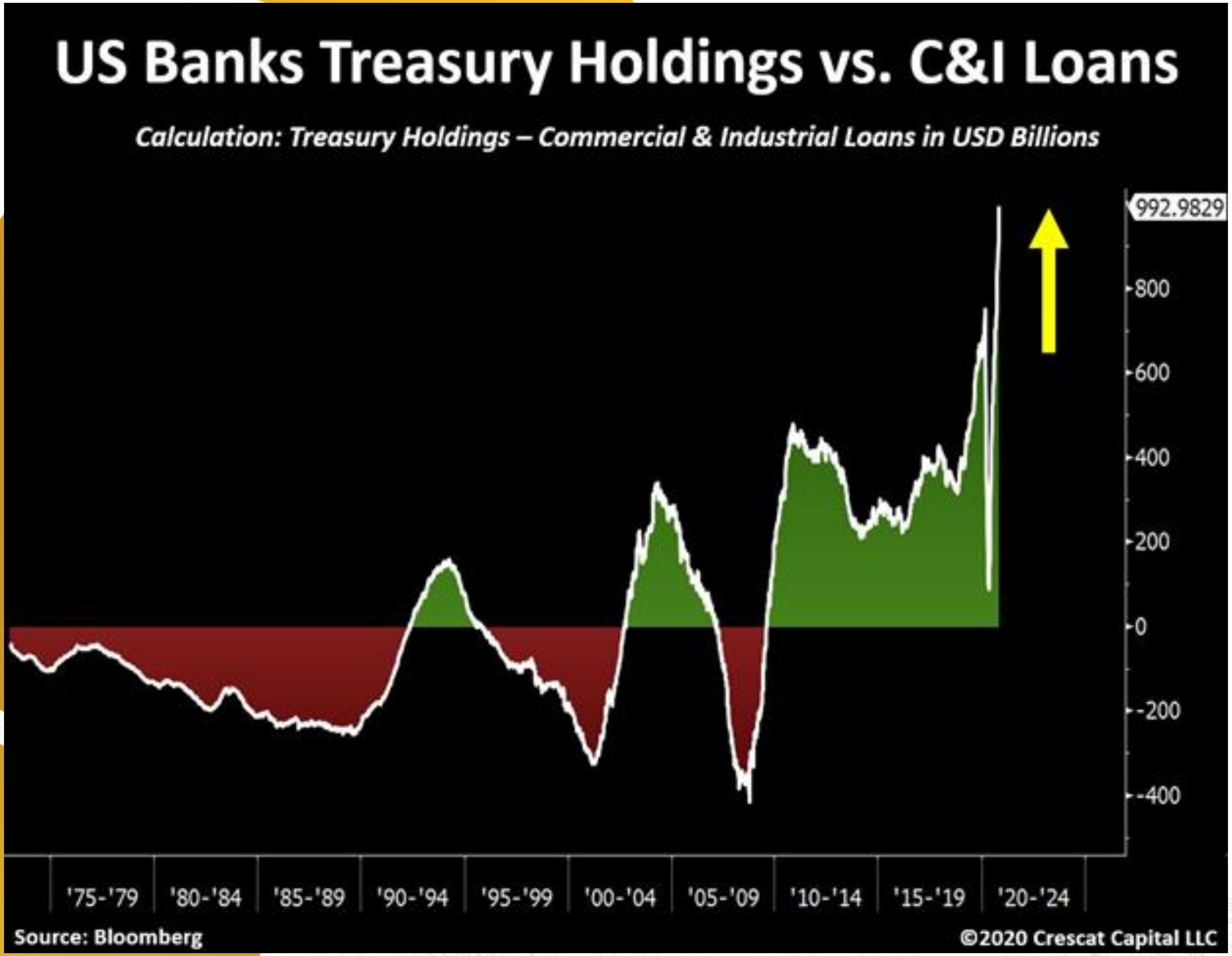

Financial institutions hold a record $993B of government loans, which is now larger than commercial and industrial loans.

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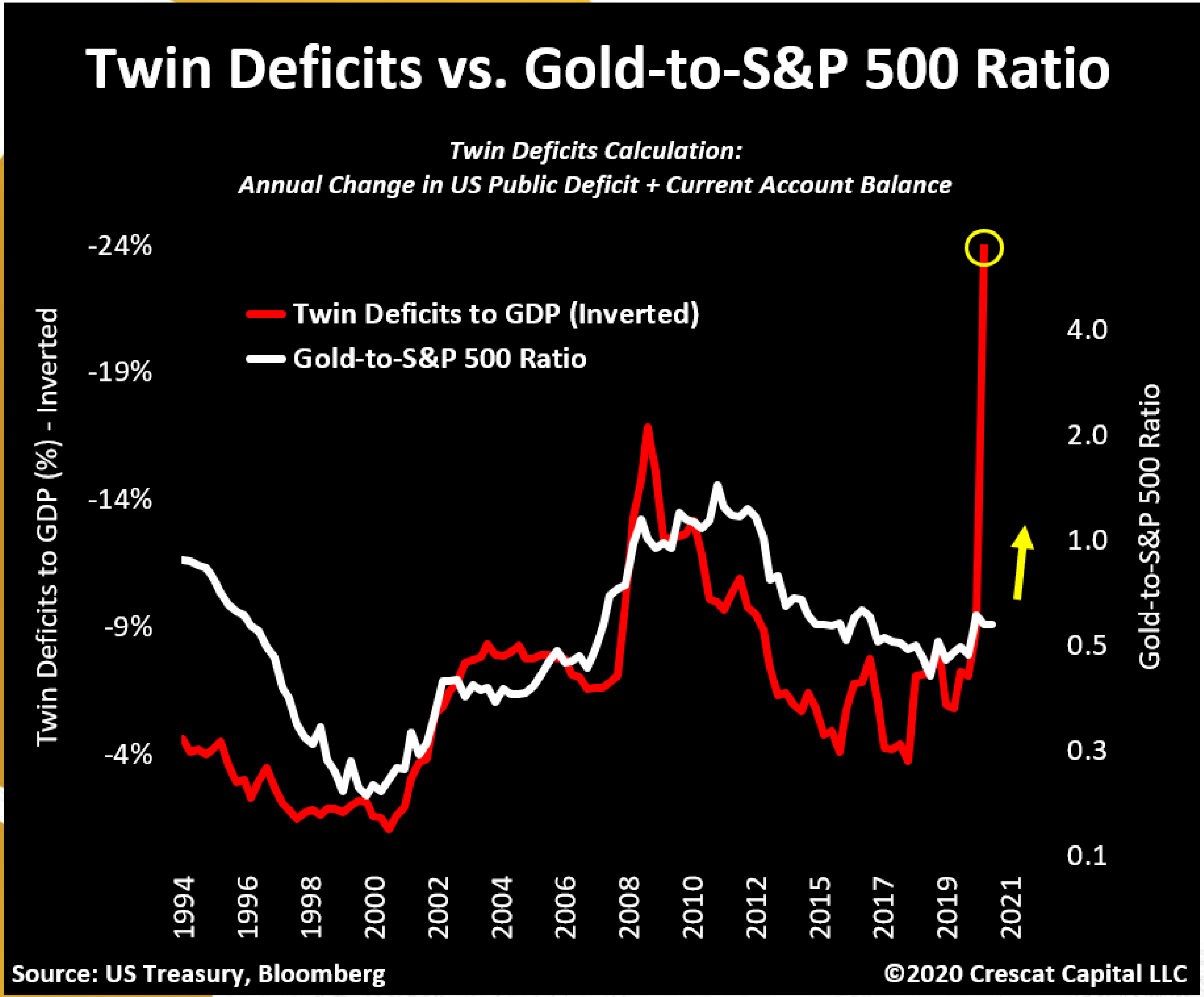
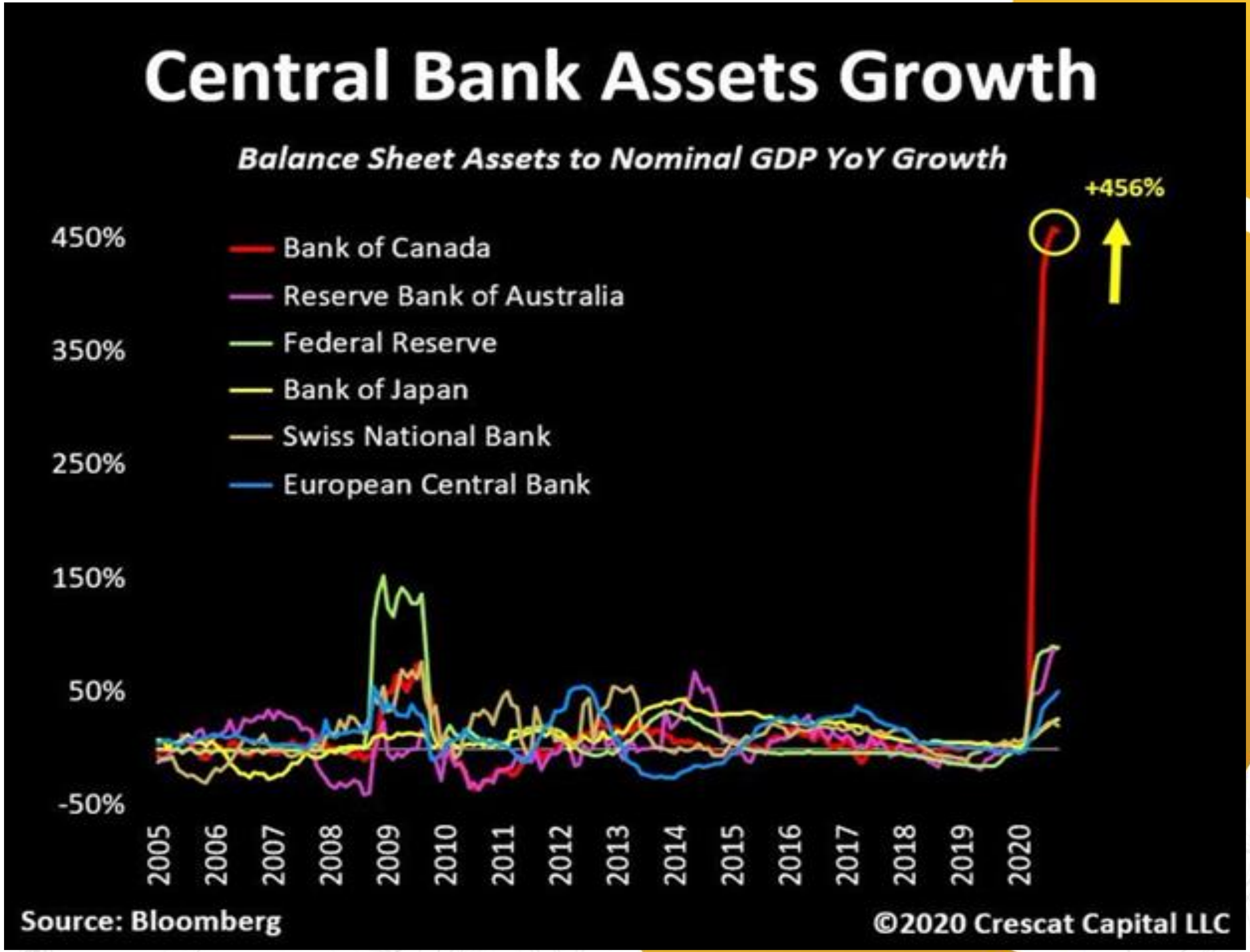


History has proven during times of fiscal disorder gold tends to outperform equities. Inverted twin deficits suggests a massive upward move in the gold to S&P 500 ratio is still ahead.

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.

The Federal Reserve added about $3 trillion of assets to its balance sheet since late February when the pandemic began to noticeably hit the US and stocks started selling off.



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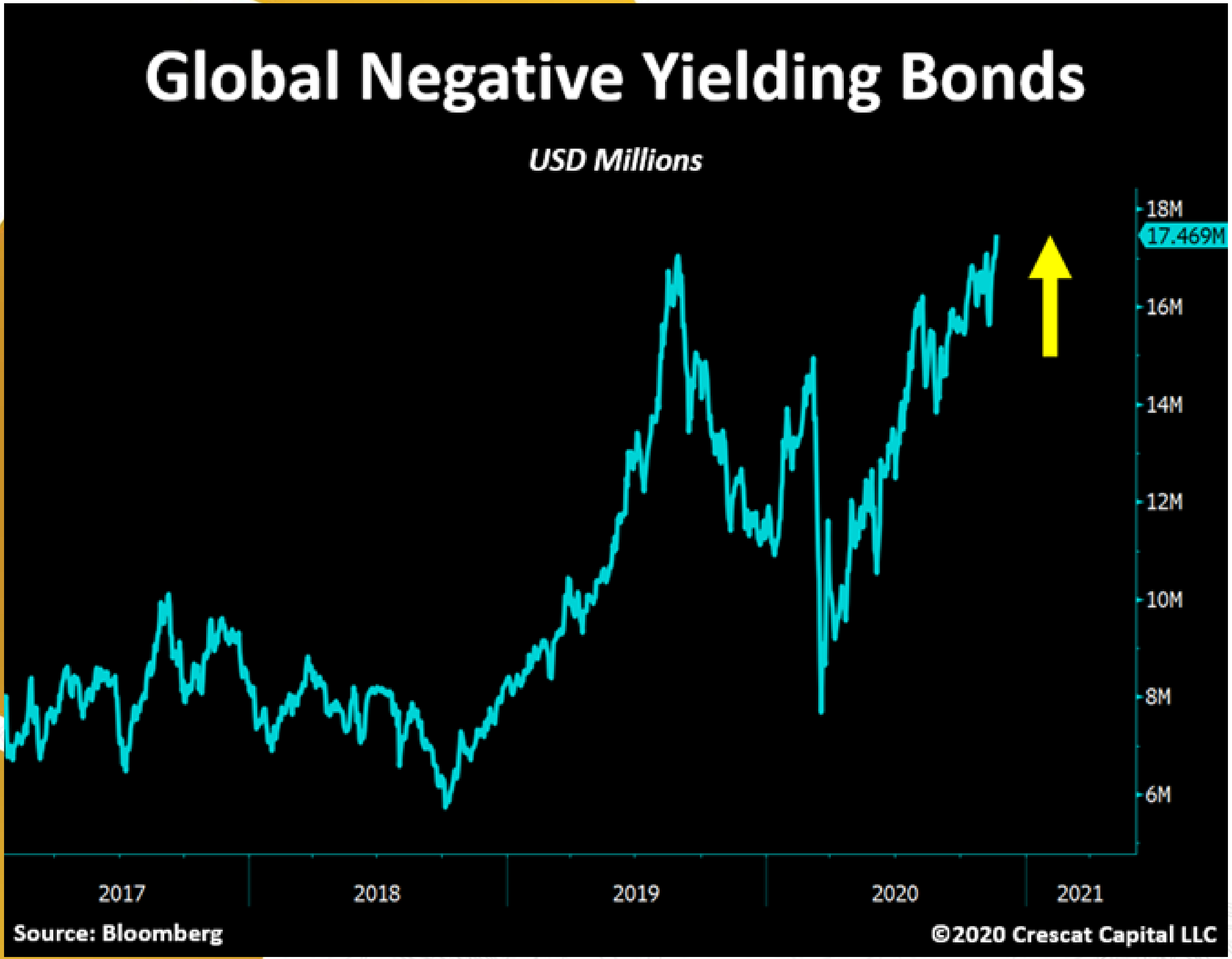
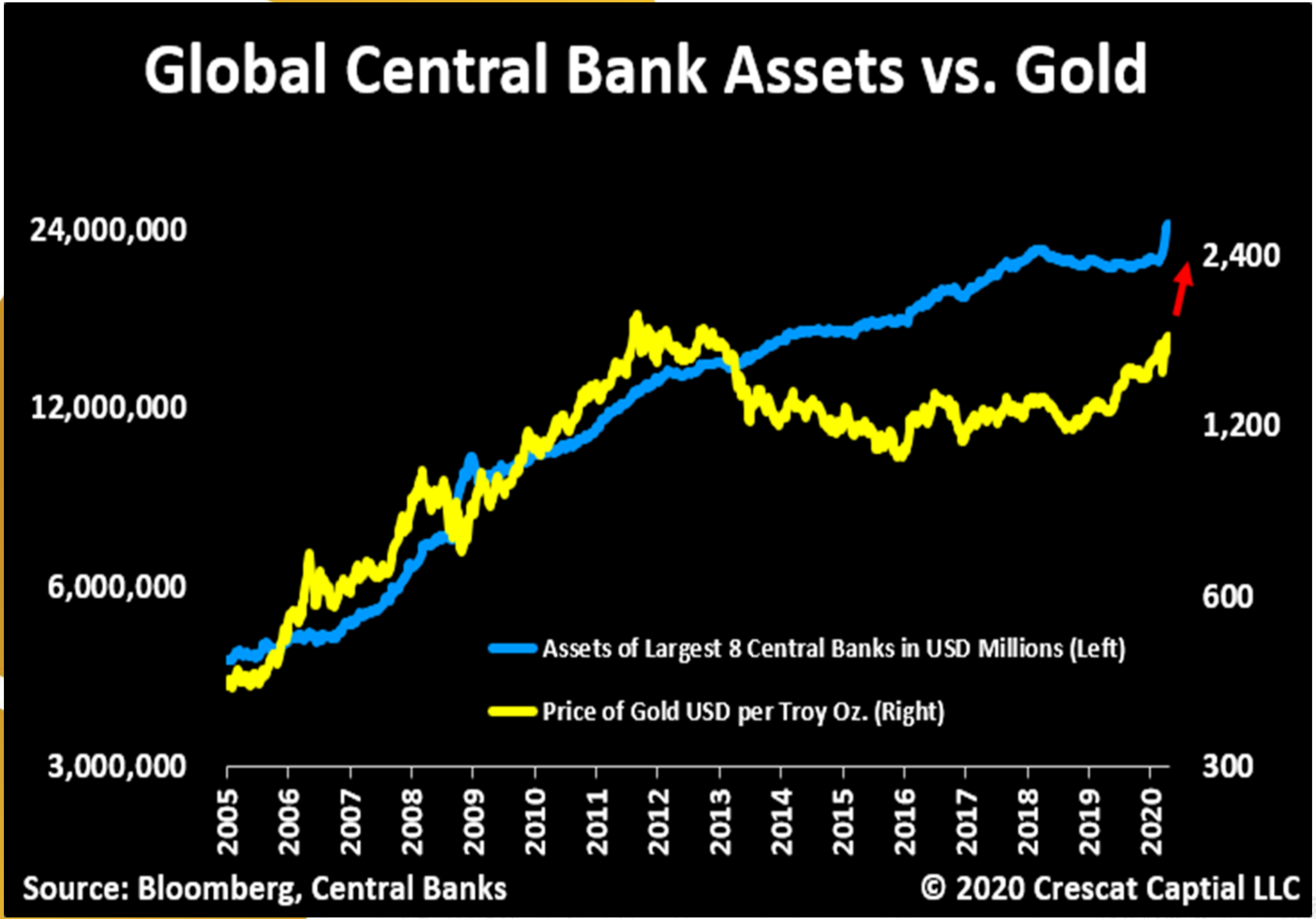


Global negative yielding bonds are again breaking out, now worth in aggregate a record of $17.5T.



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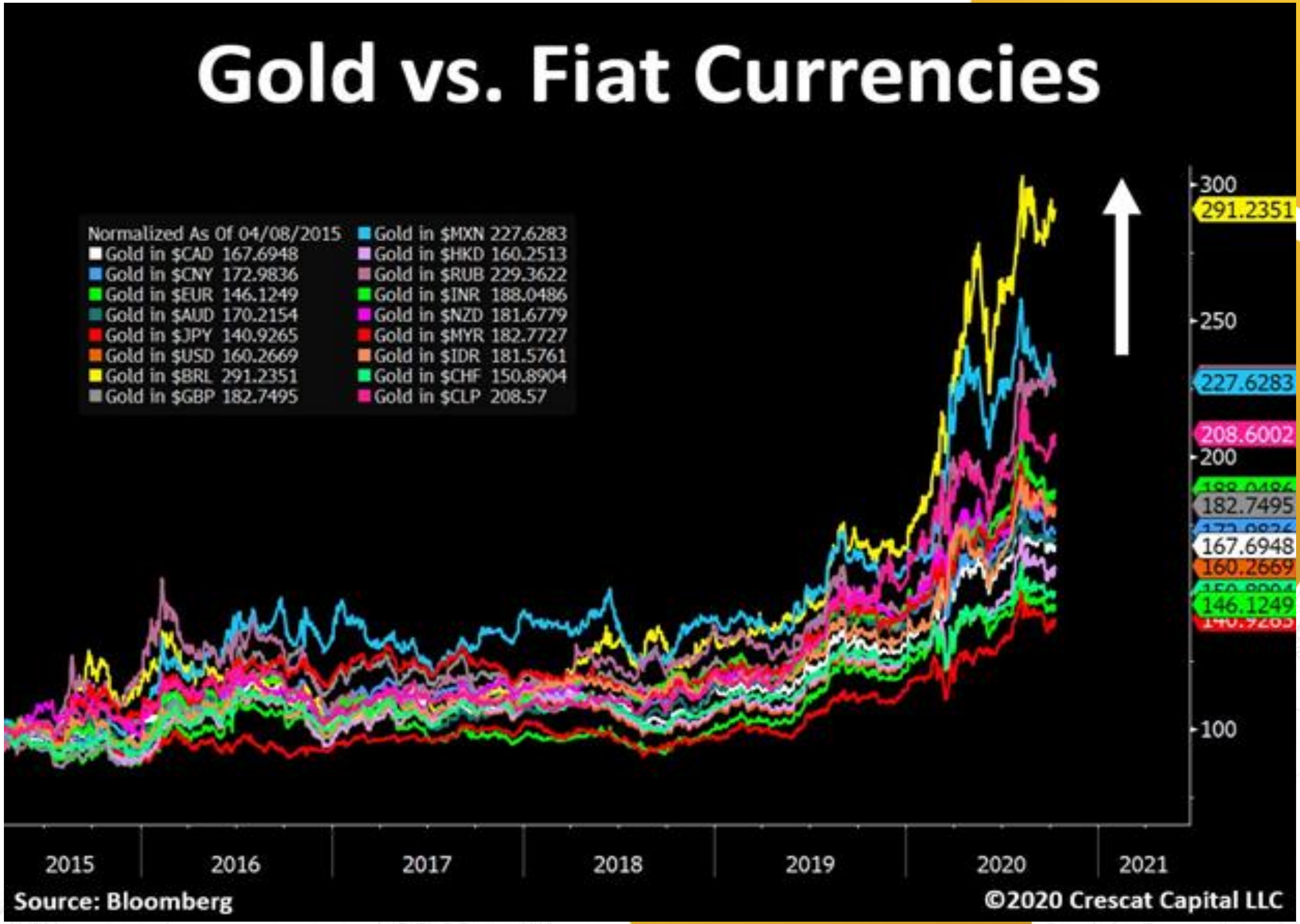
Fiat currencies around the world are in a race to the bottom. The price of gold has been rising across all of them.



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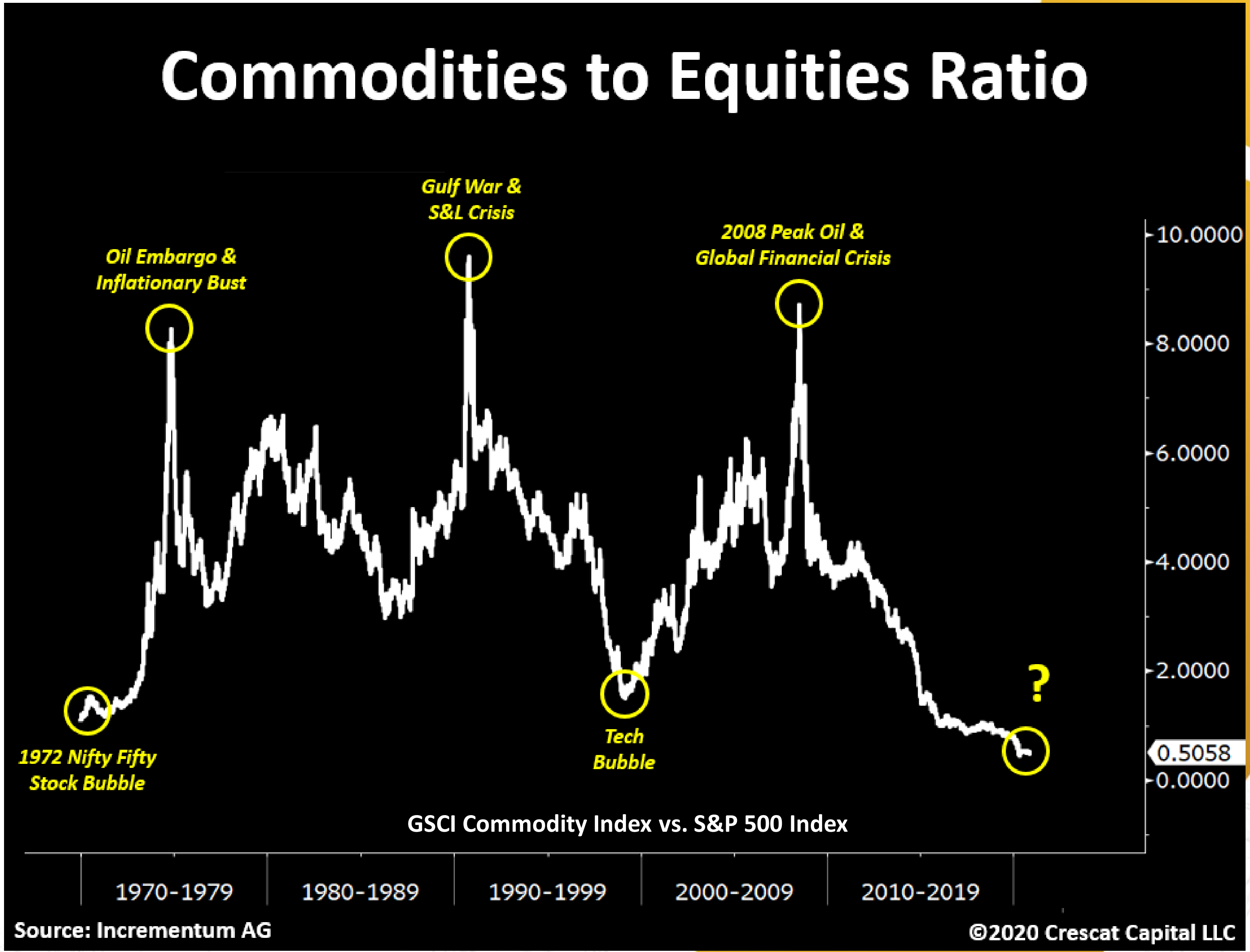
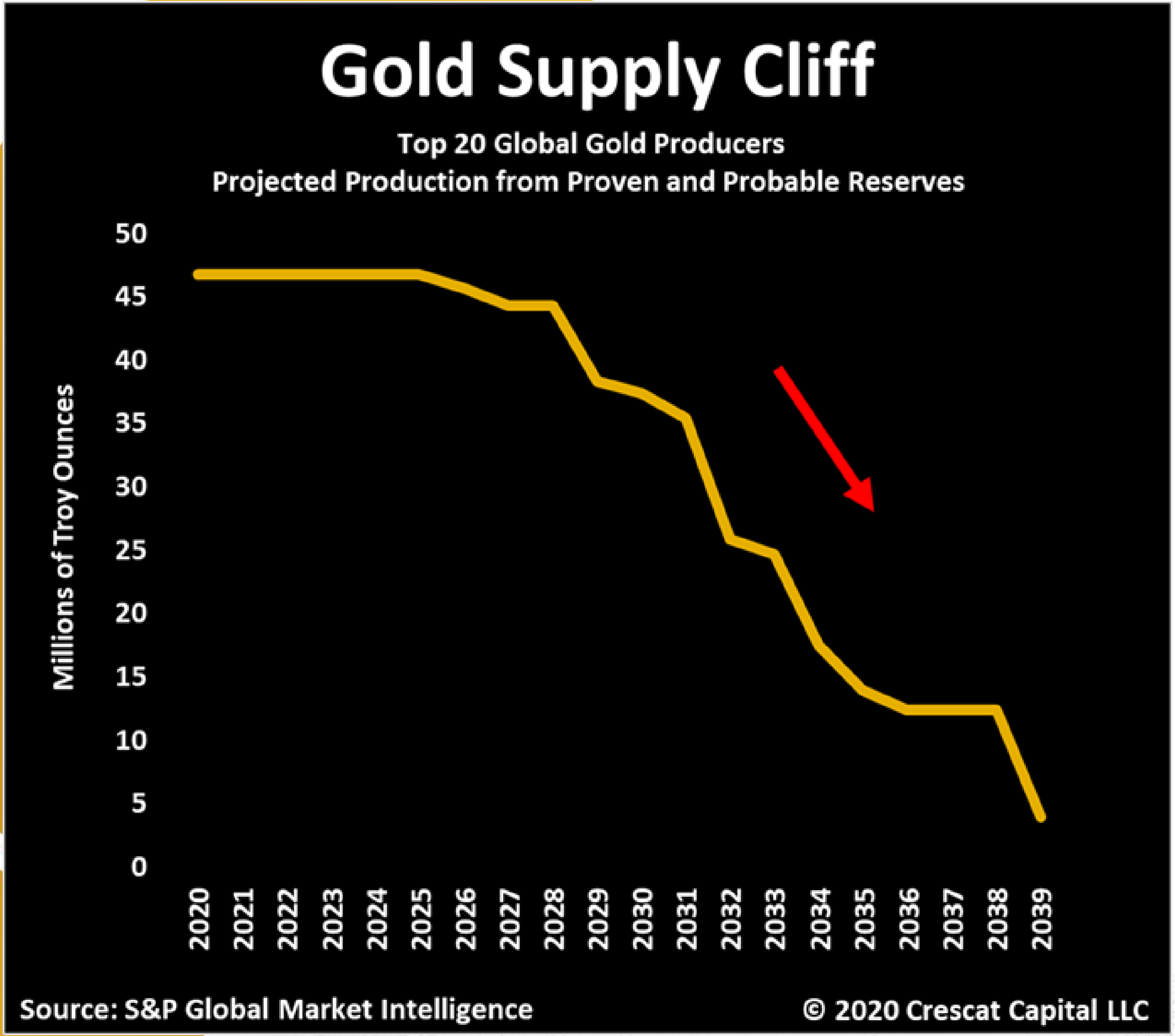
The commodity-to-equity ratio is at a 50-year low.



Tangible assets have massively underperformed, particularly in the last year. The commodities to GDP ratio juts reached a 60-year low.



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

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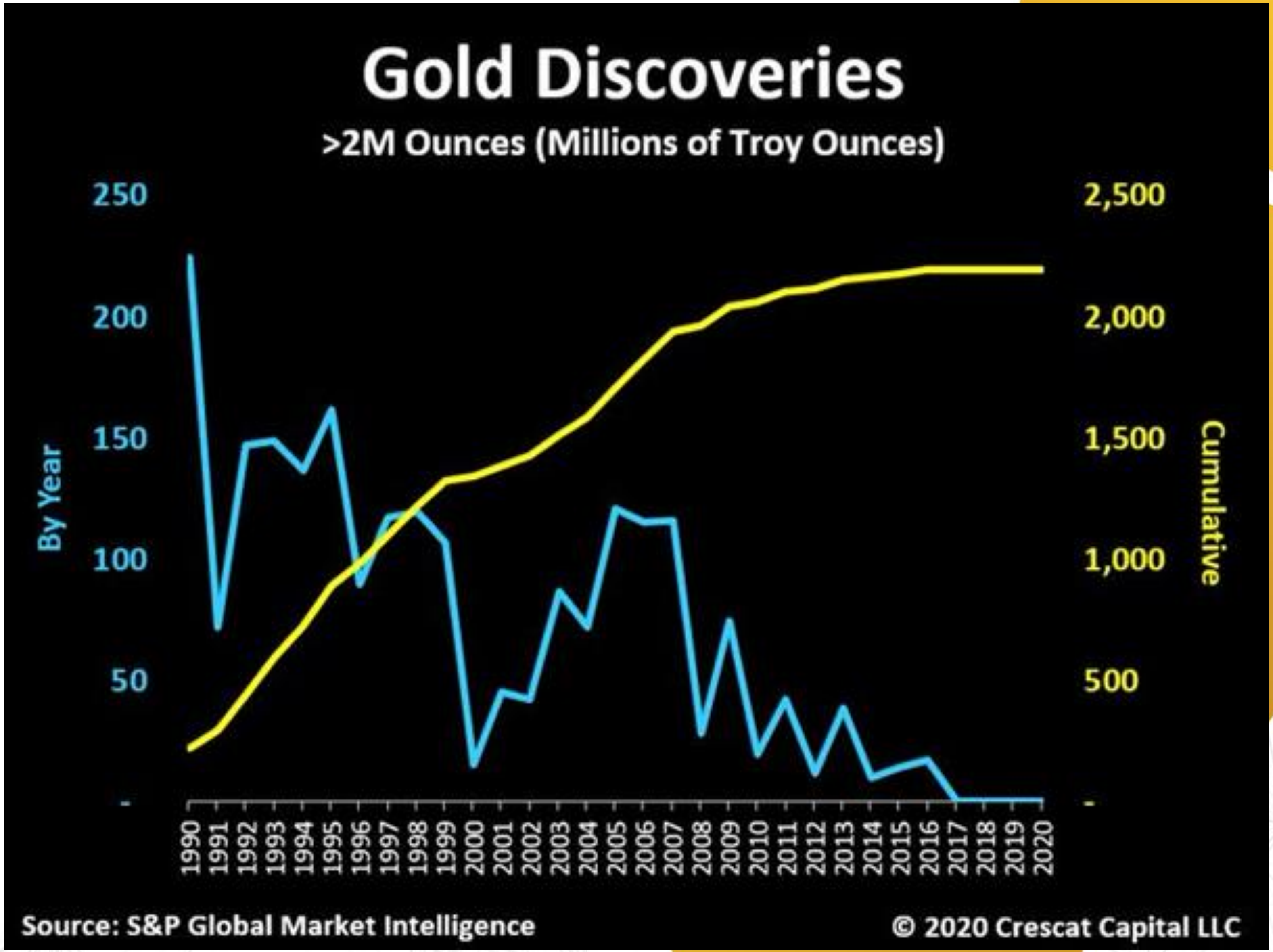
There were zero gold discoveries above 2 million ounces in the last 3 years. Precious metals companies are reluctant to spend capital even though gold prices have reached all-time highs.



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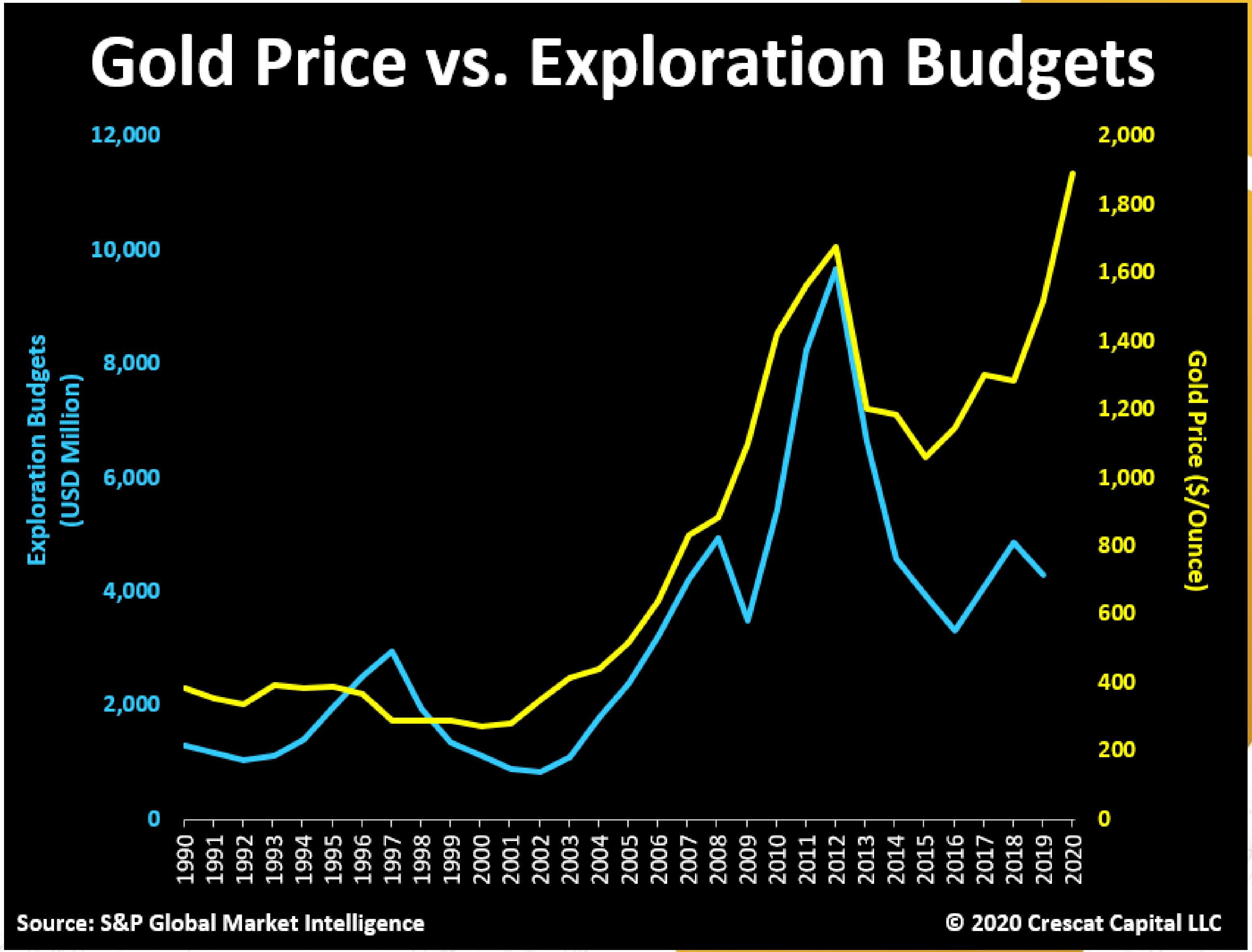
Exploration budgets and gold prices have been diverging for over 8 years.



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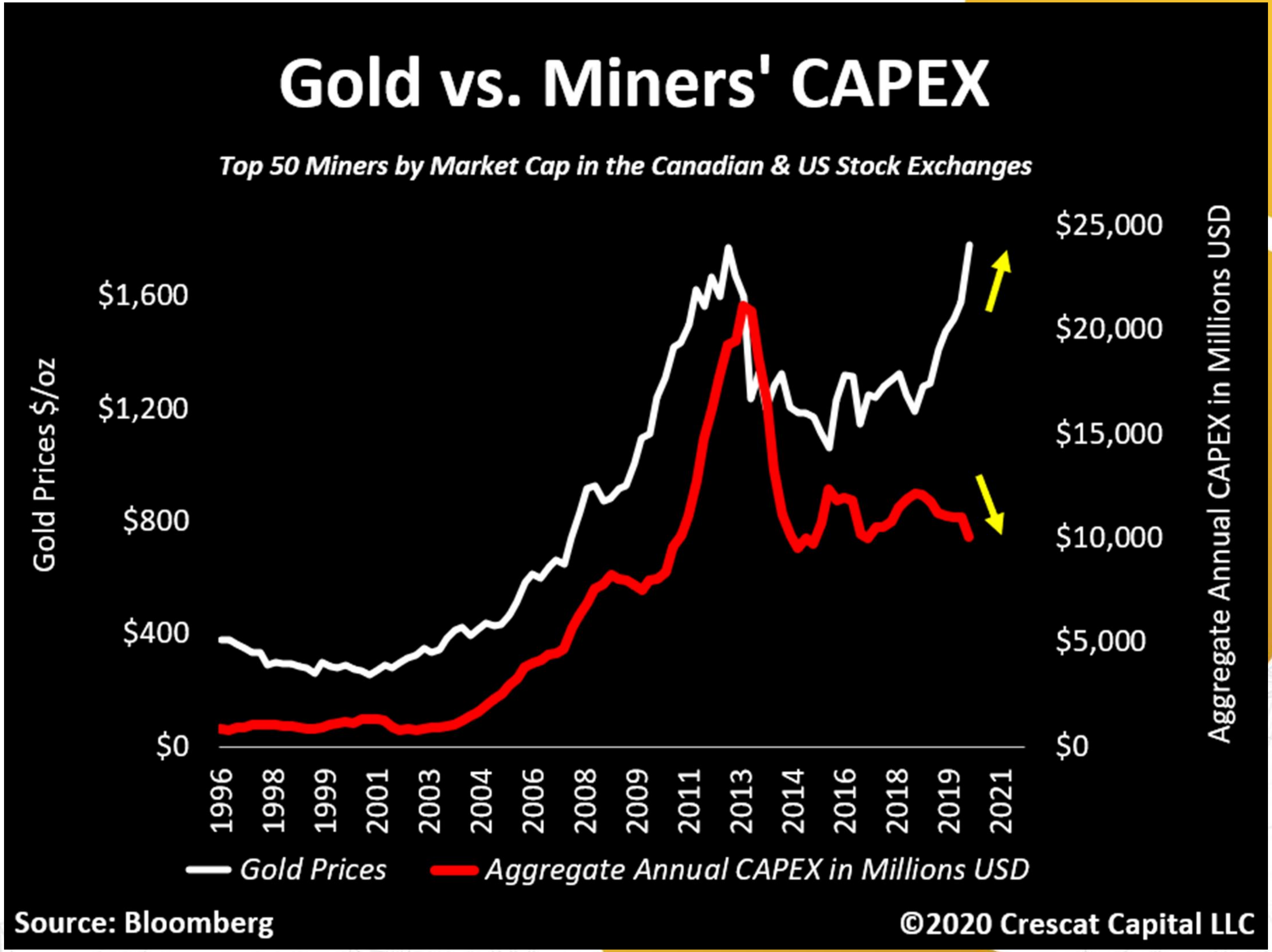
Miners have been reluctant to spend capital even though gold prices have been moving higher. Thus, supply is constrained, an incredibly bullish fundamental backdrop for gold and silver.



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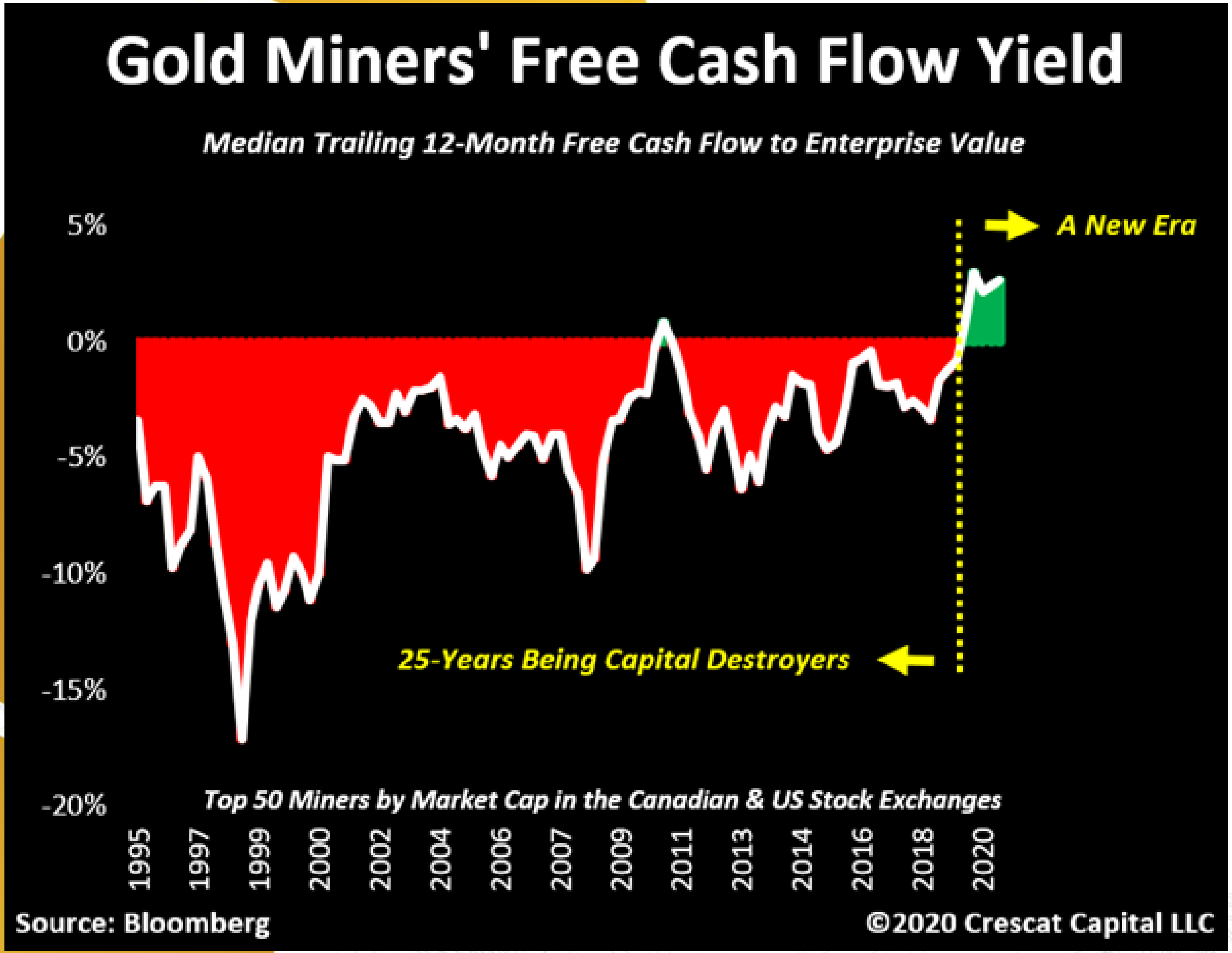

Gold and silver mining companies are the real beneficiaries of today's macro environment with strong balance sheets, high growth, and still incredible undervaluation.

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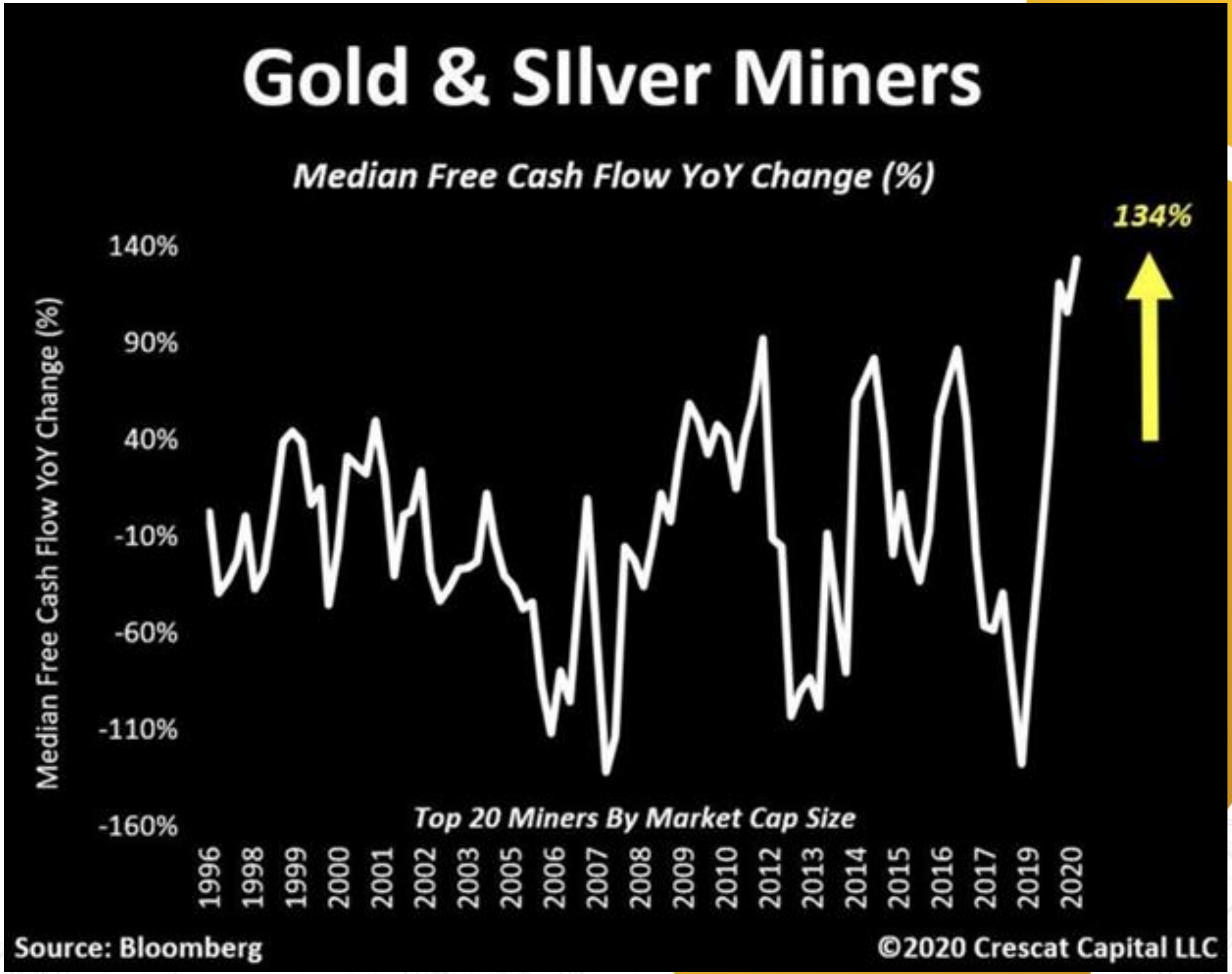
Free cash flow among the top 20 miners have grown by 134% year over year in their latest report



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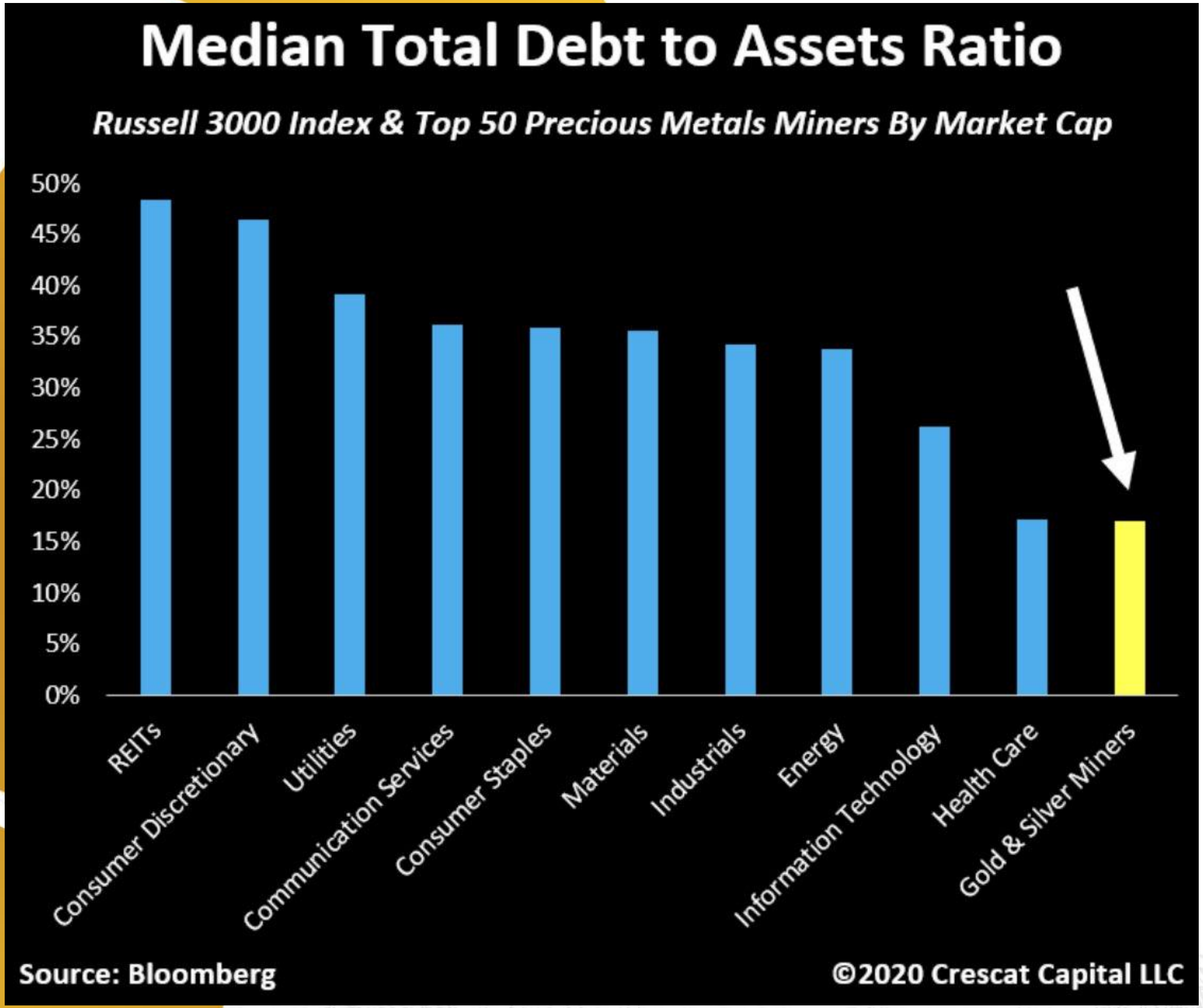

If precious metals stocks were a sector, they would have the cleanest balance sheets of them all.

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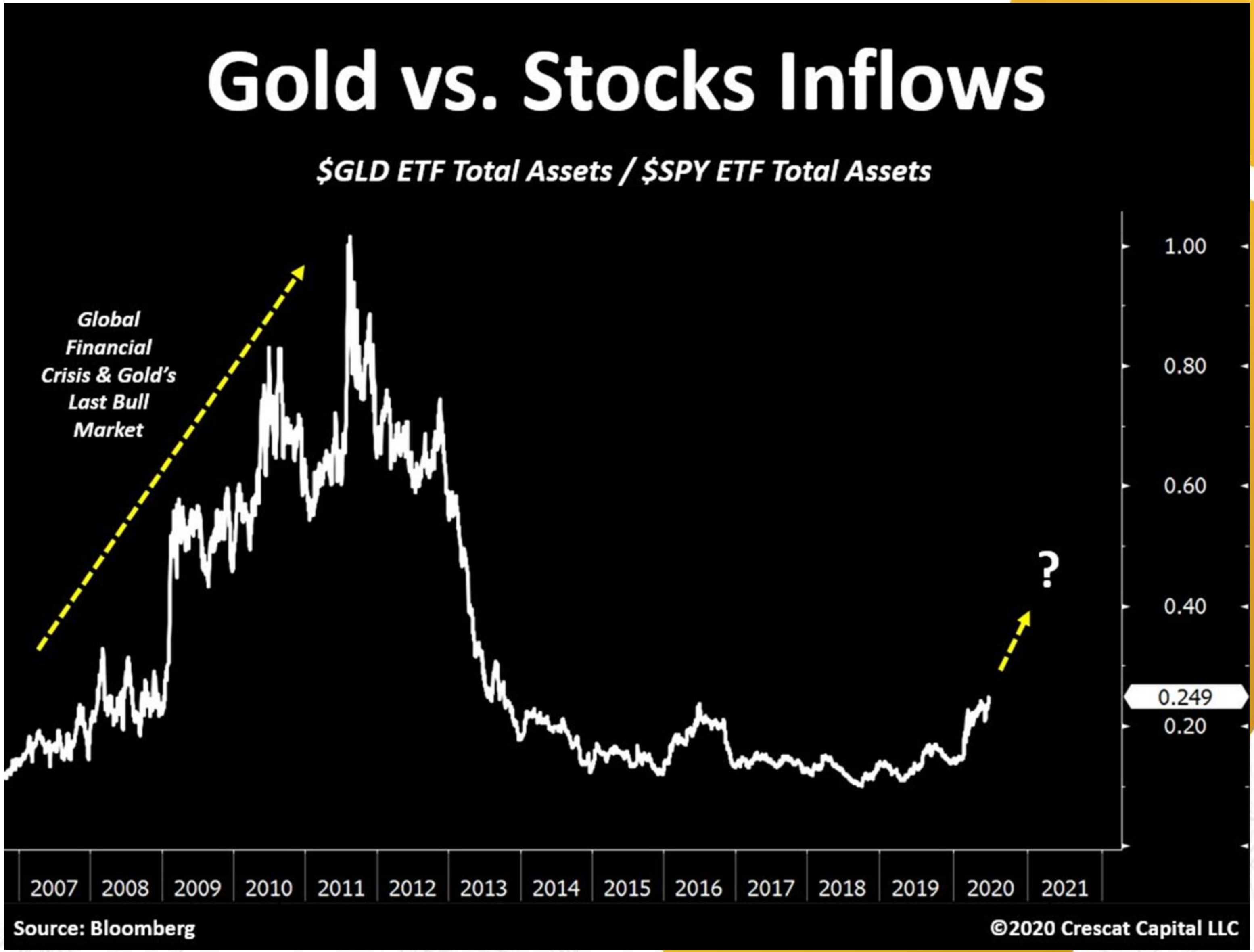
Gold inflows are not only rising, but also starting to outpace S&P 500 flows.



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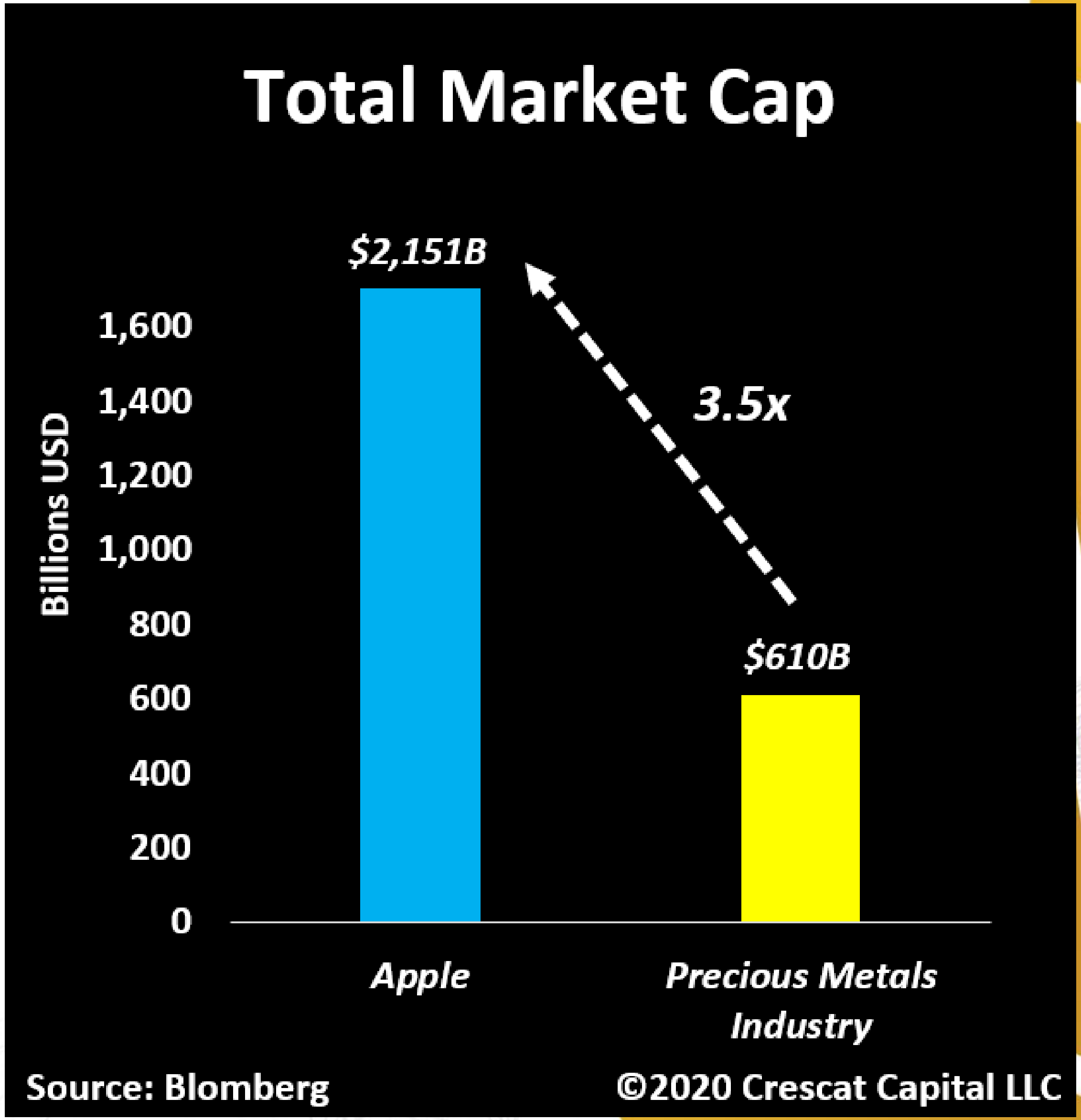
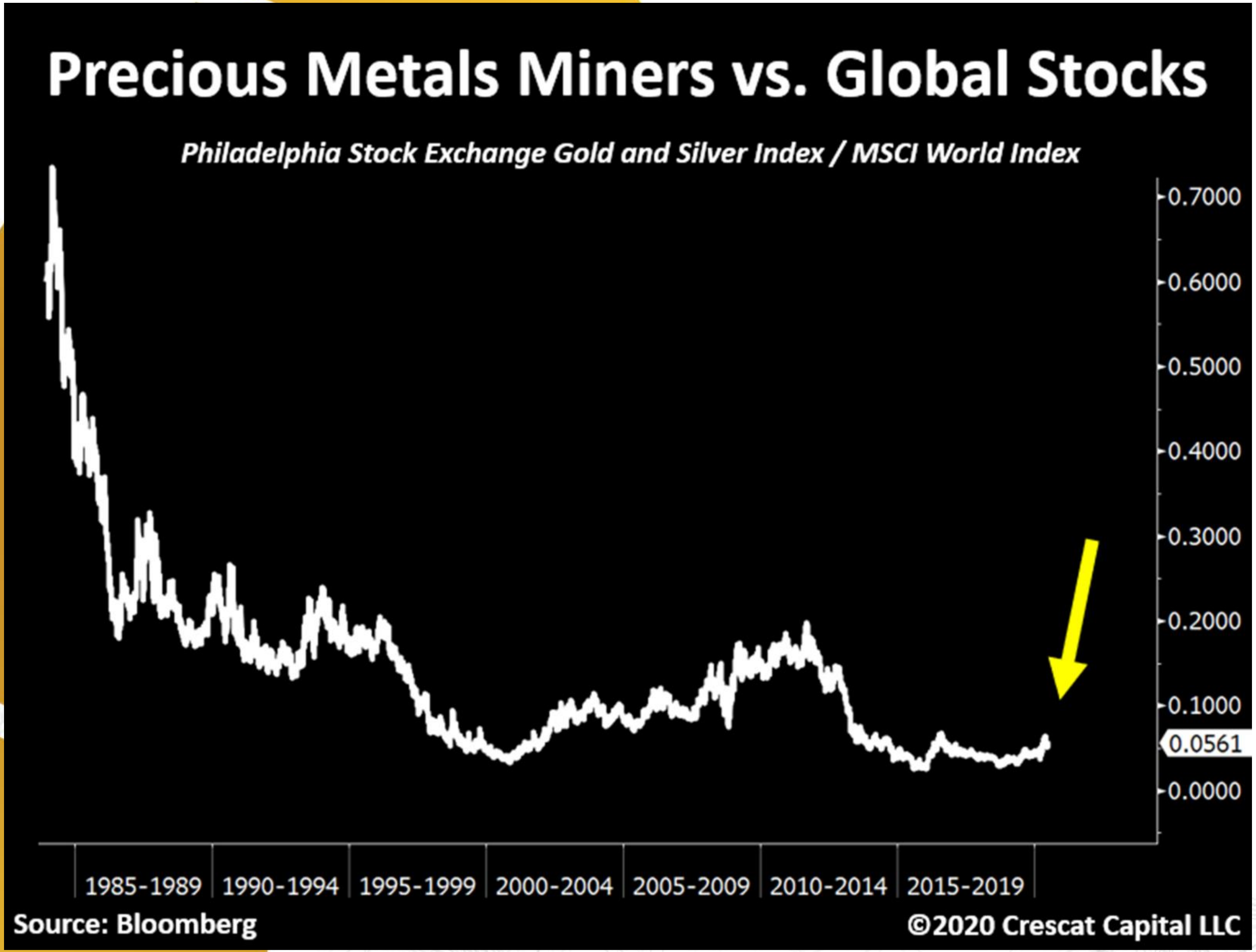
The entire precious metals industry is dirt cheap. Apple's market cap is 3.5 times the size of the whole precious metals industry.





Gold and silver mining stocks compared to global stocks are still near record lows.

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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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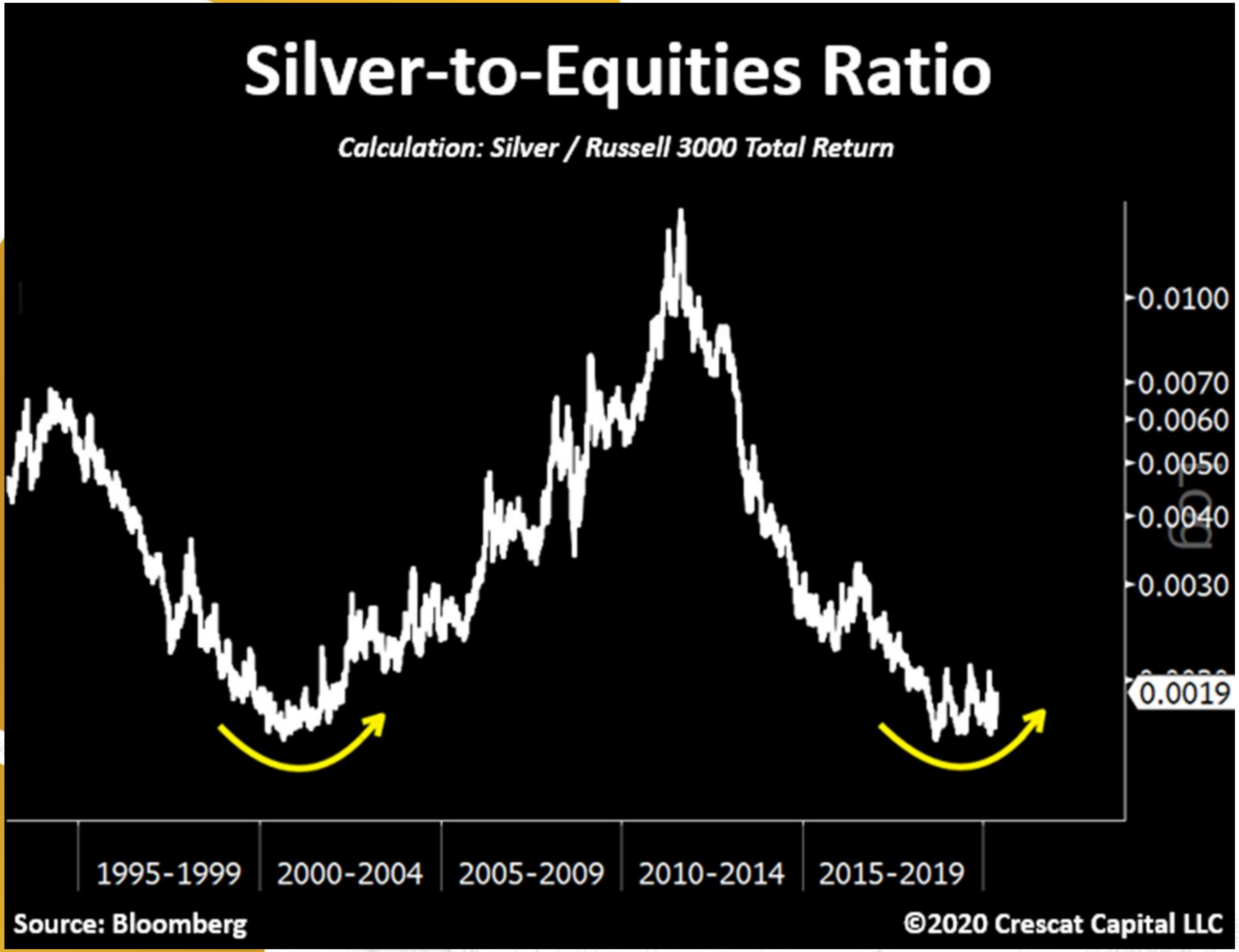
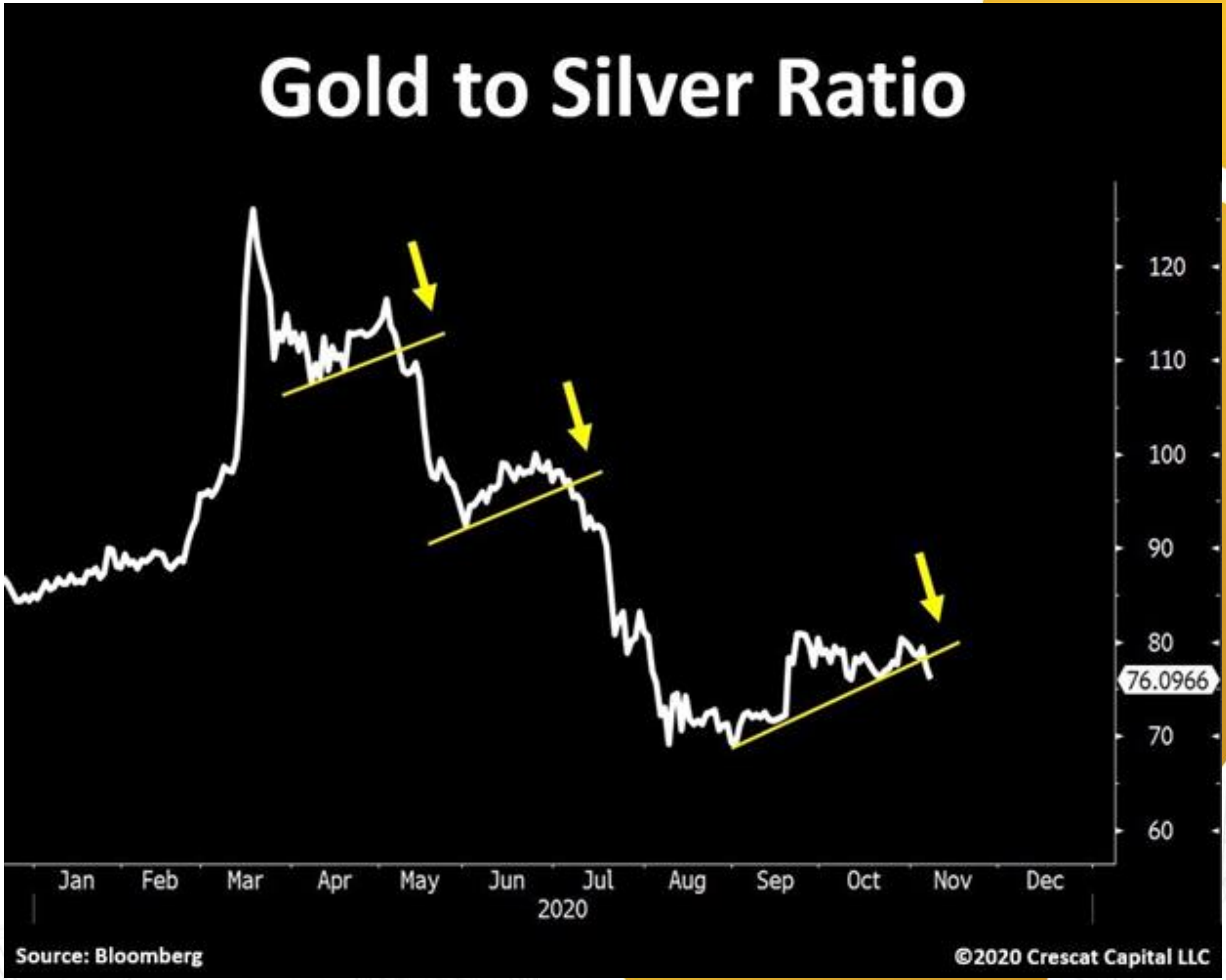
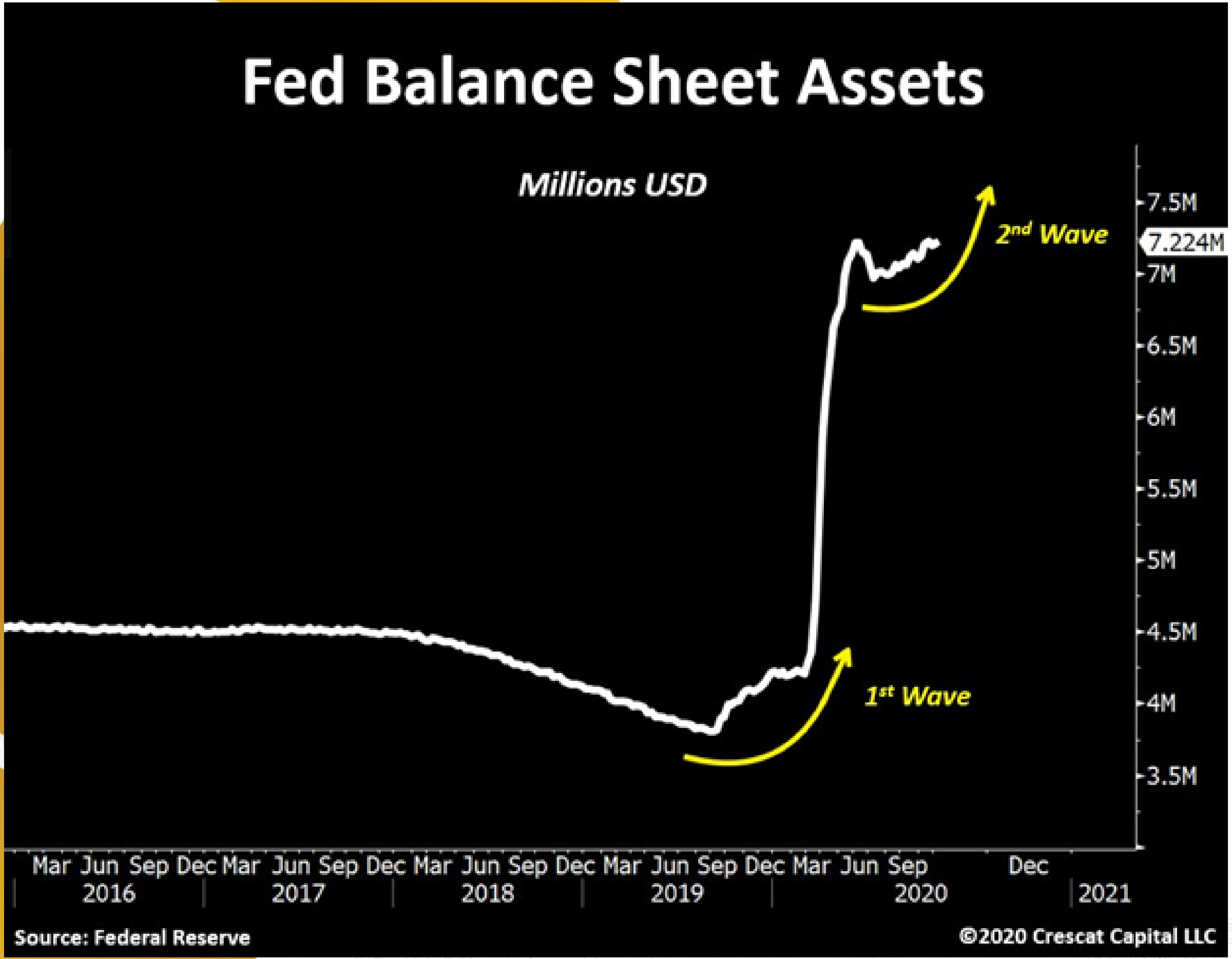


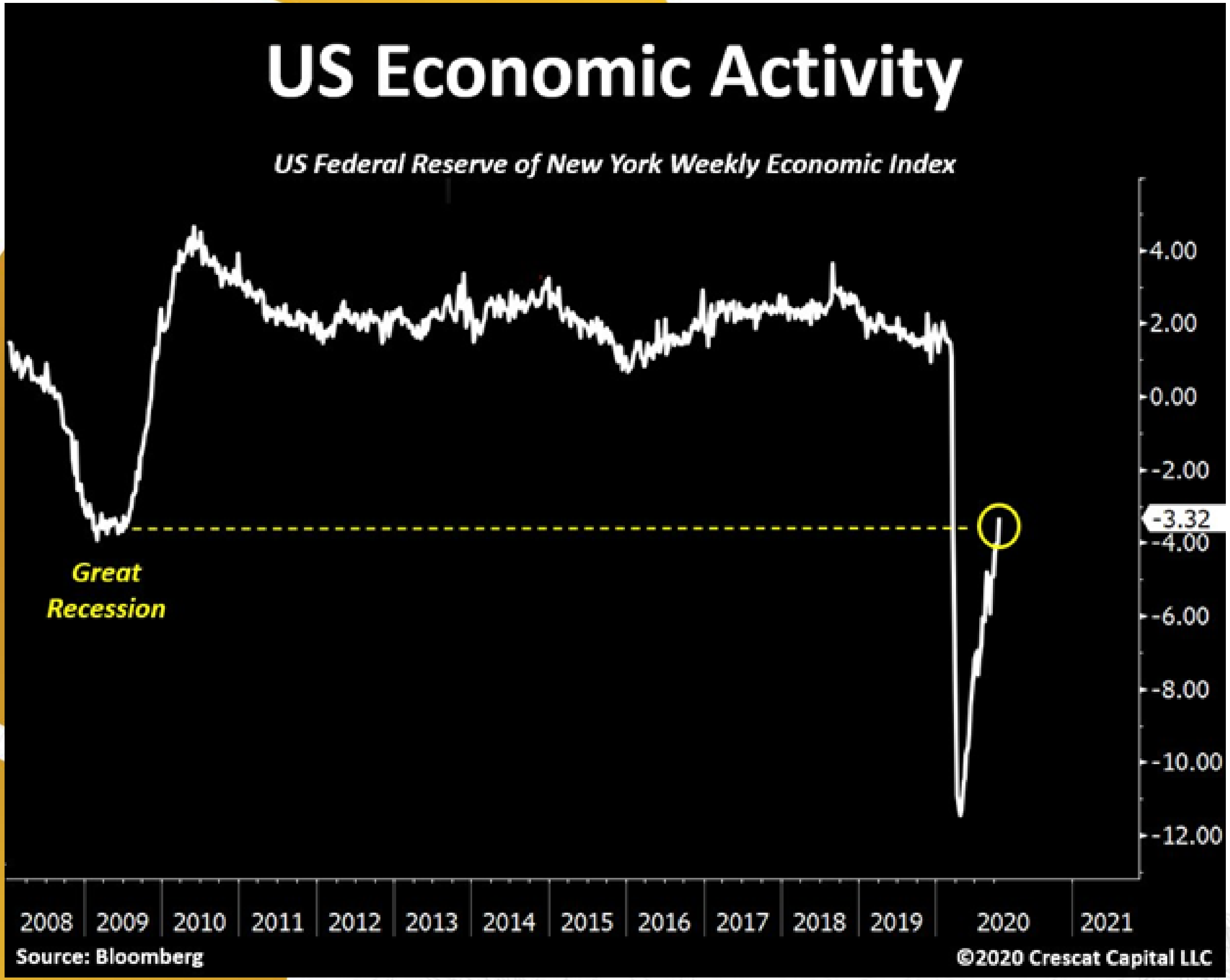
The silver-to-equities ratio is a clean looking double bottom, a battle of two extremes.

Gold-to-silver ratio is starting to break down again. This is exactly the leadership one would expect in a healthy bull market for precious metals.





By the end of 2021 $8.5T of US Treasuries will be maturing.



Just from the US government side, it took $4T of debt to get economic activity back to the worst levels of the great recession.

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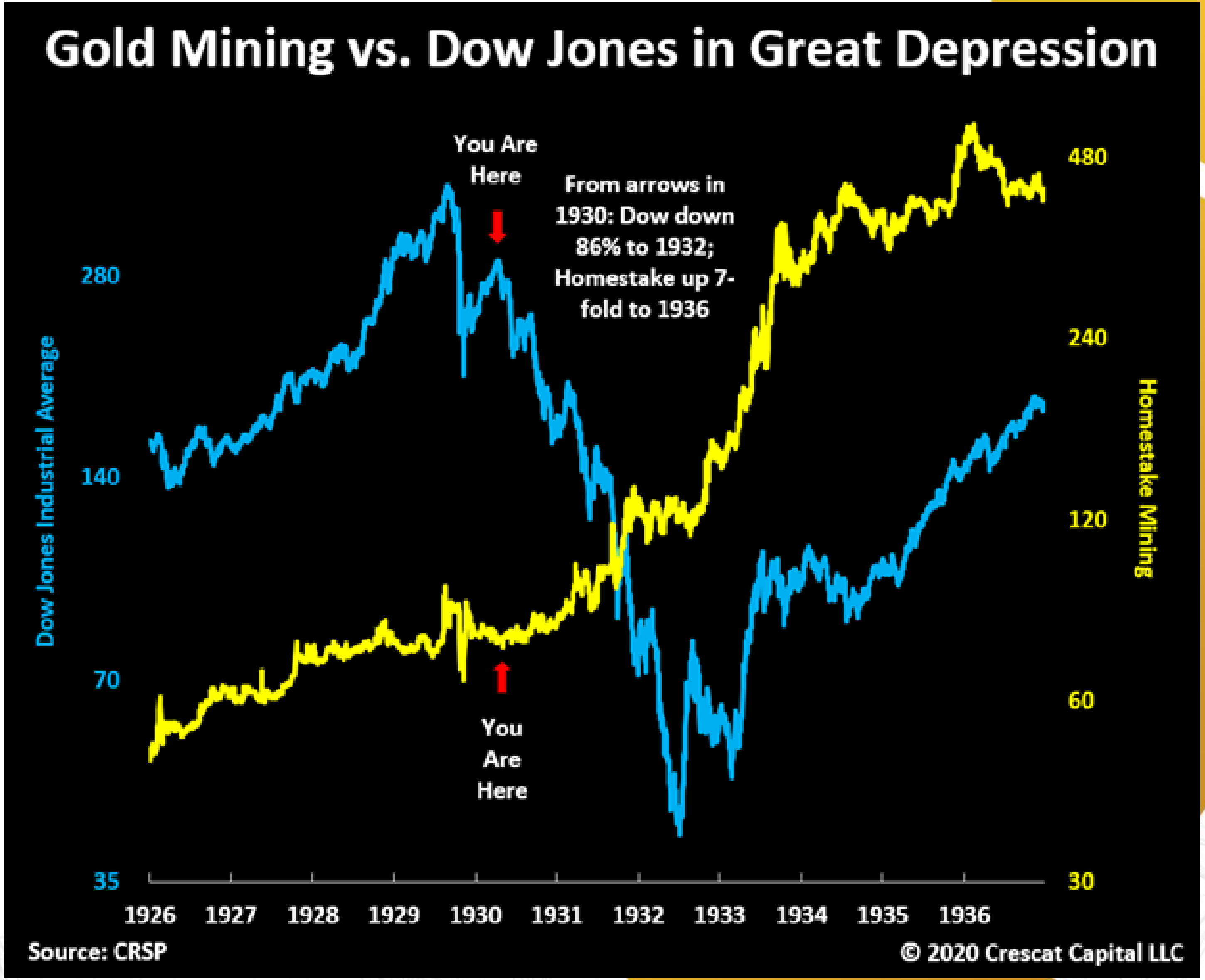
Gold mining companies acted in counter cyclical fashion to create wealth during the credit deflationary bust of the Great Depression.



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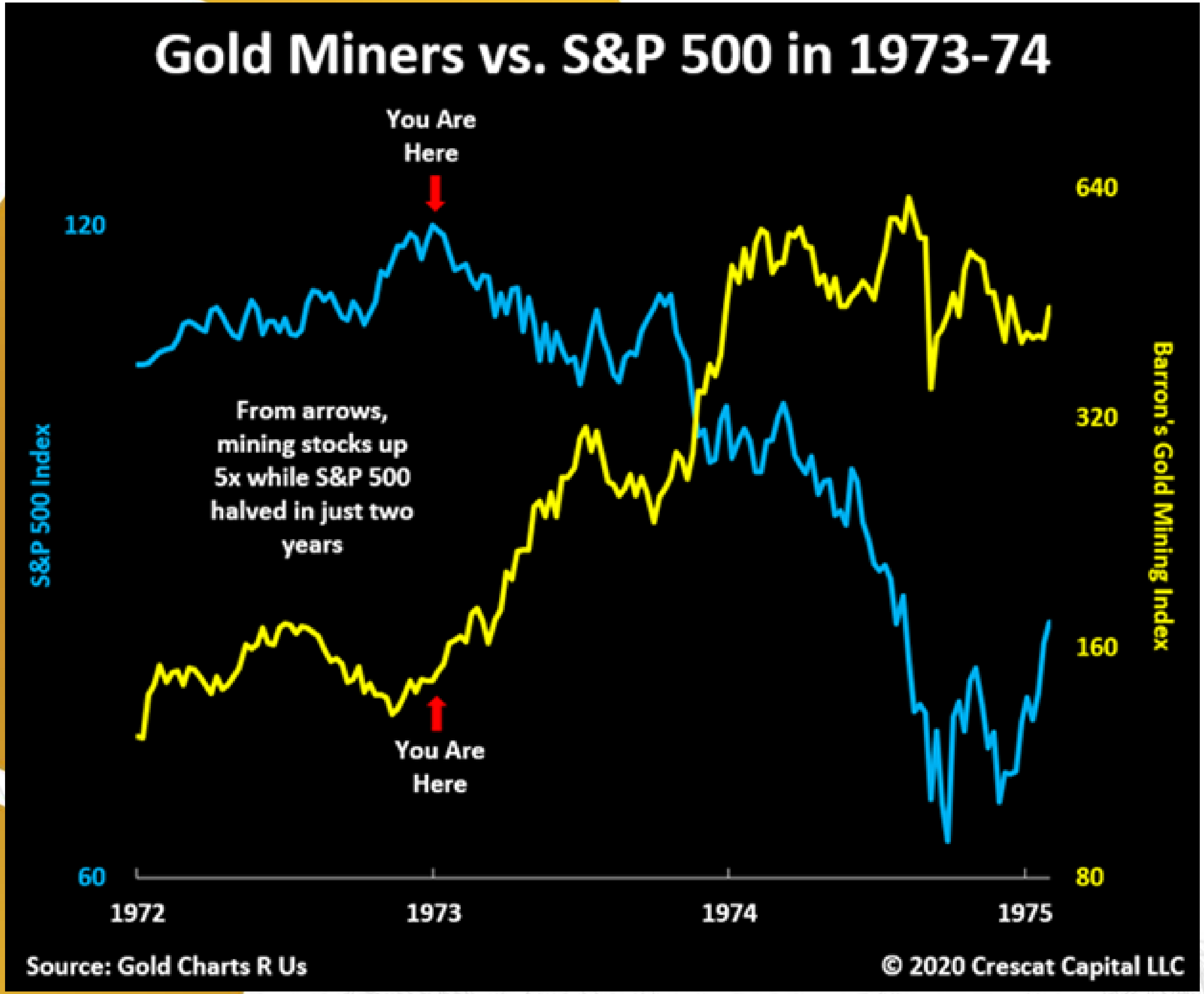
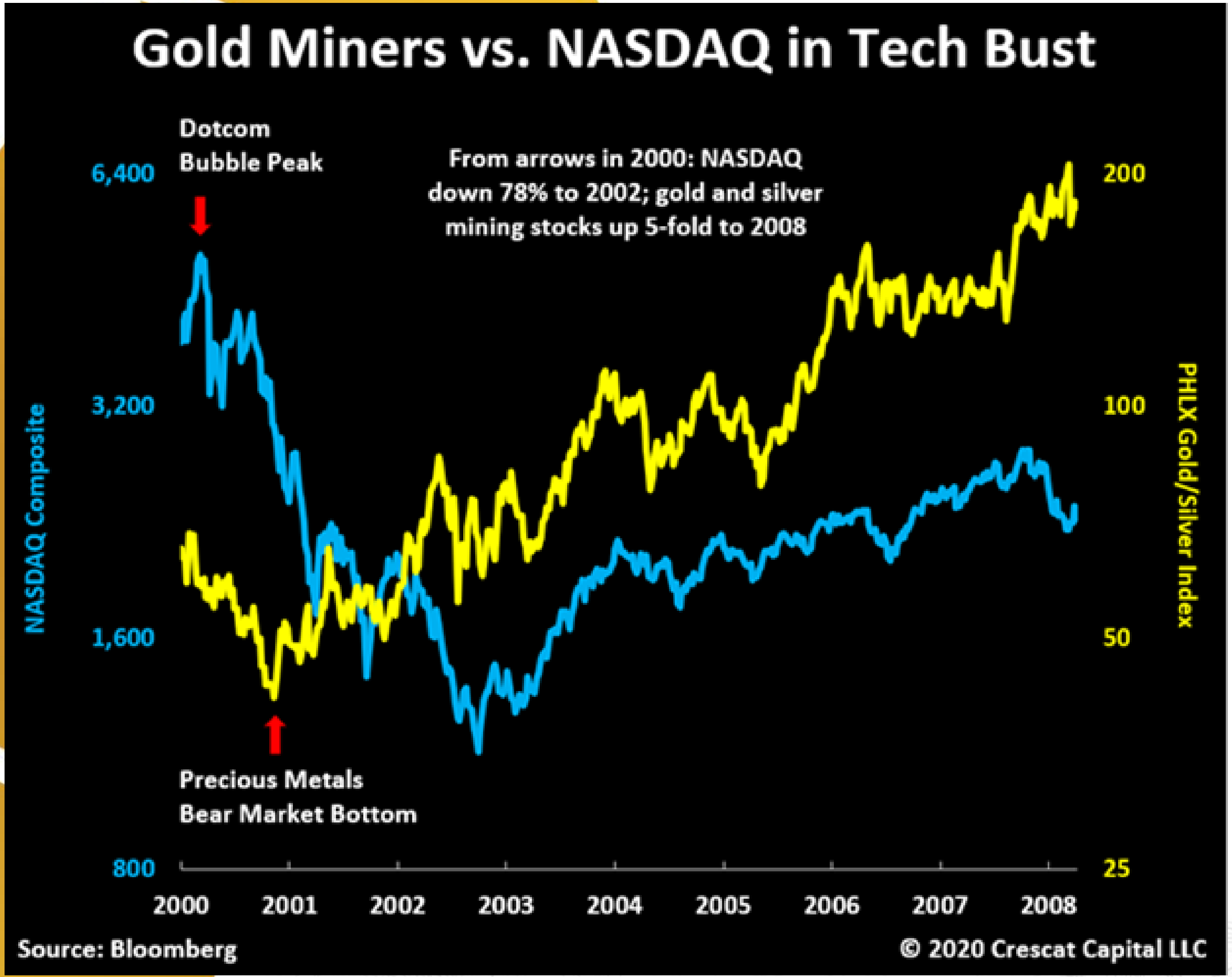


The Barron's Gold Mining Index increased 5-fold during the 1973-74 Stagflationary Recession.



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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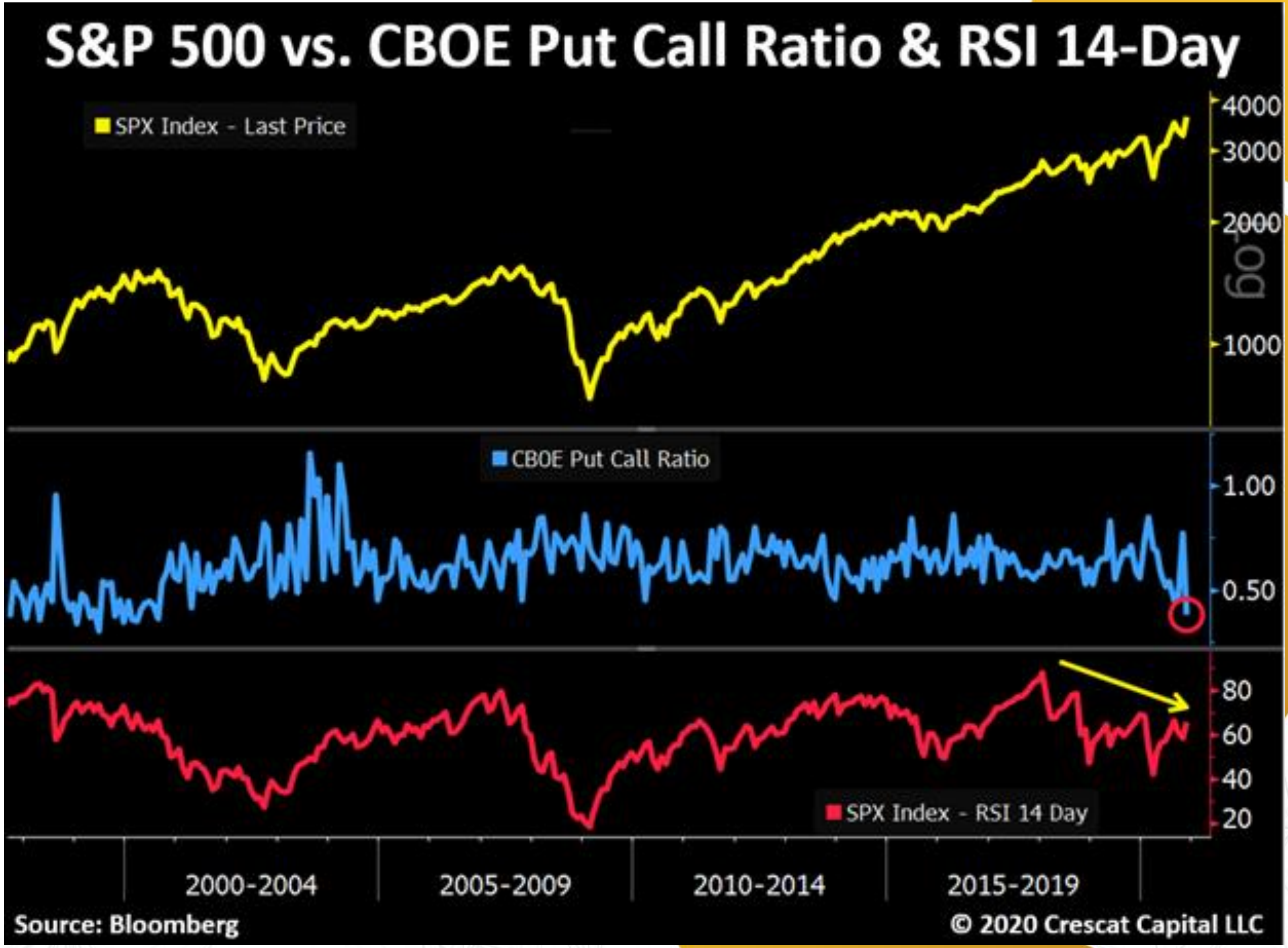
Speculative long call option positioning today relative to puts is the highest it has been since the peak of the tech bubble.



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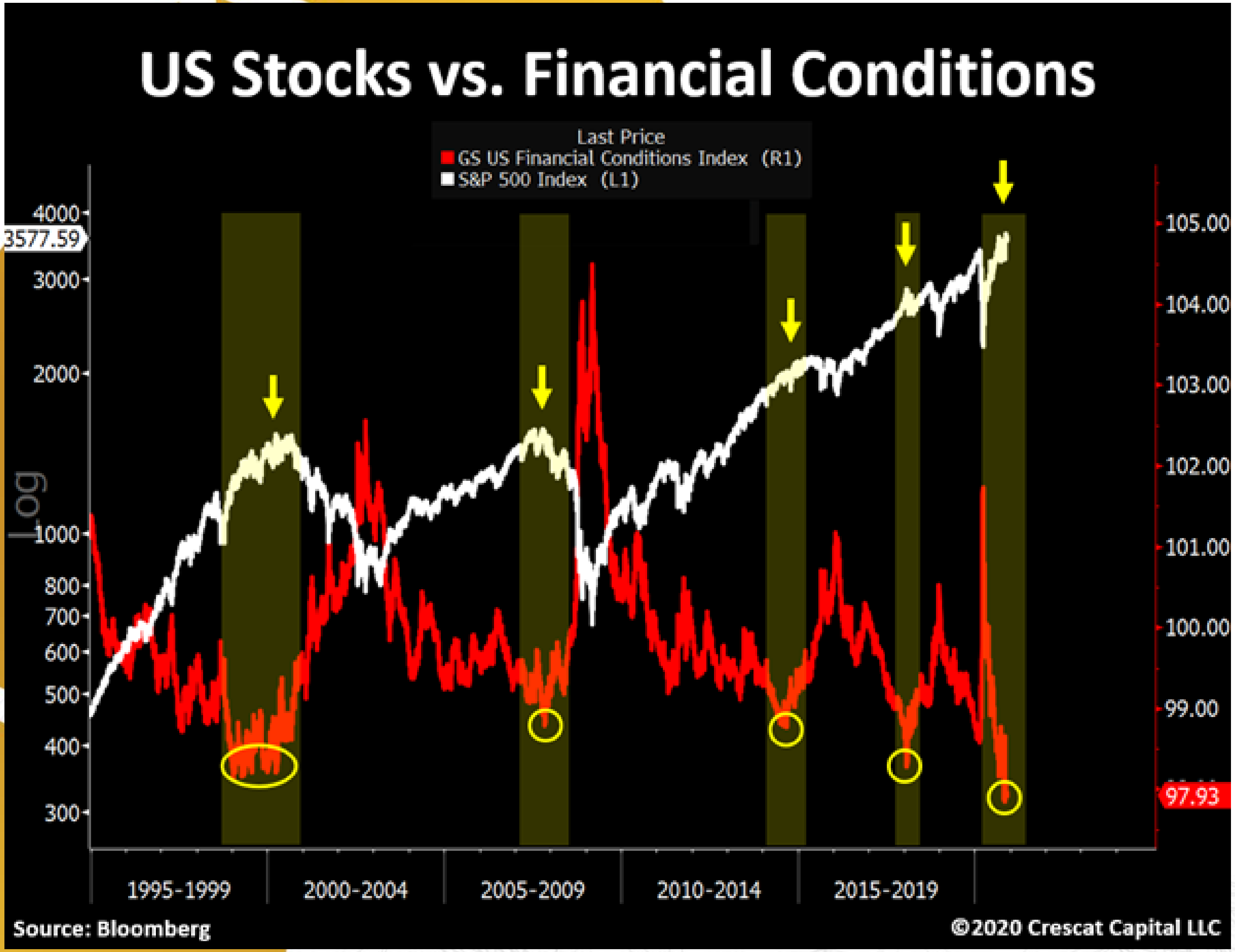
The percentage of S&P 500 Index members that are above their 200-day moving average just reached a new extreme for the uber-high valuation environment of the last five years.



Financial conditions today, driven by historic low interest rates and tight credit spreads, are the loosest yet, the easiest of the past thirty years, at the same time as valuations and leverage are the highest.

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