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October 30, 2026

The Great Rotation

Everything we say below is subject to innumerable risks and uncertainties. With that said, let's keep this simple. The US stock market is in a historic valuation bubble driven by AI hype, circular financing deals, and extreme brokerage account leverage.

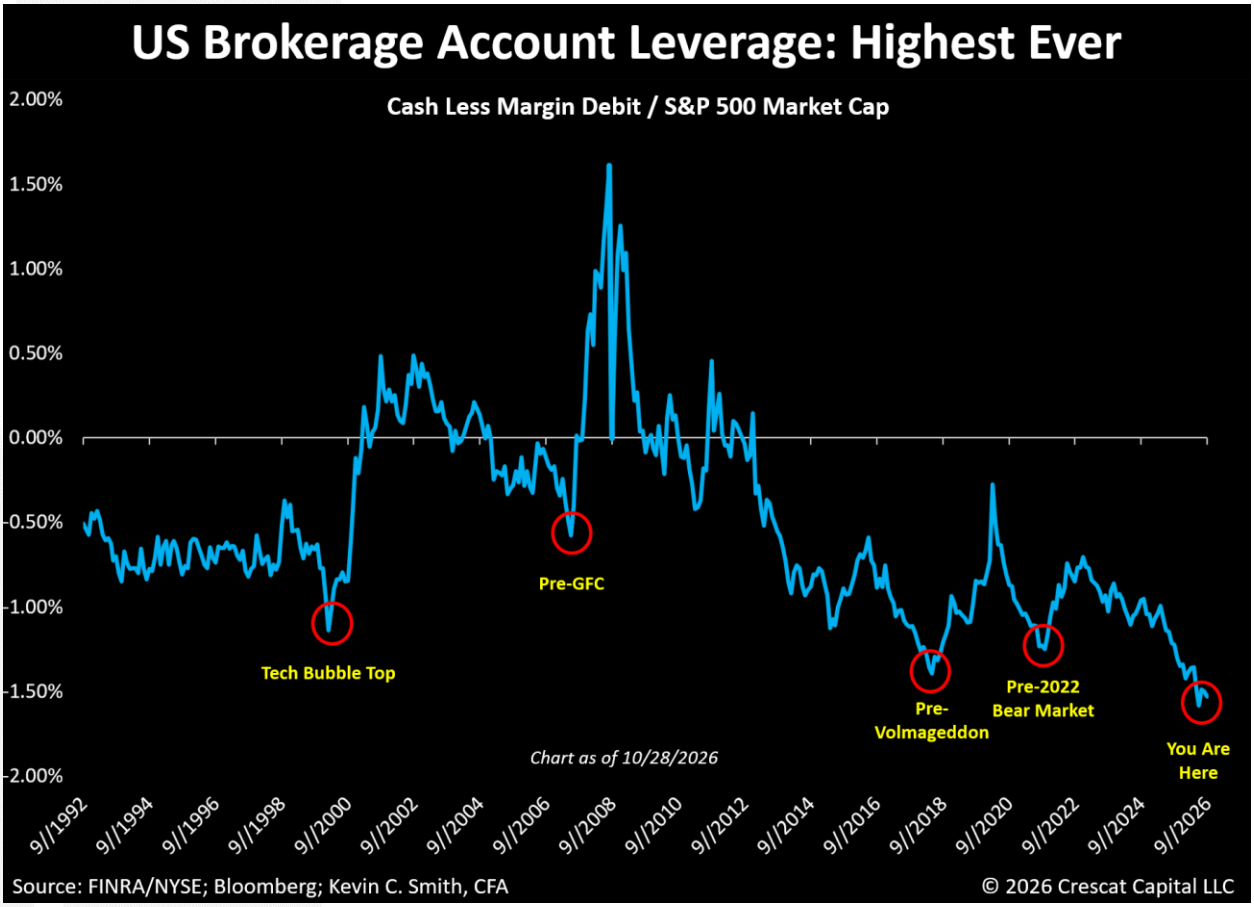
Buy Gold; Sell the S&P 500

Meanwhile, high-growth, small-cap precious and critical mining stocks are historically cheap. We think it is time to buy the dip in the precious metals markets and sell the S&P 500. The rotation out of overvalued US large-cap stocks, especially megacap tech, and into undervalued scarce resource stocks hasn't even begun yet. We believe it's coming in a big way and presents one of the best opportunities in the market today. What we have been calling the Great Rotation, in our strong view, still lies ahead.

In our opinion, the long-term gold-to-S&P 500 ratio chart is the most important macro chart illustrating the substantial opportunity.

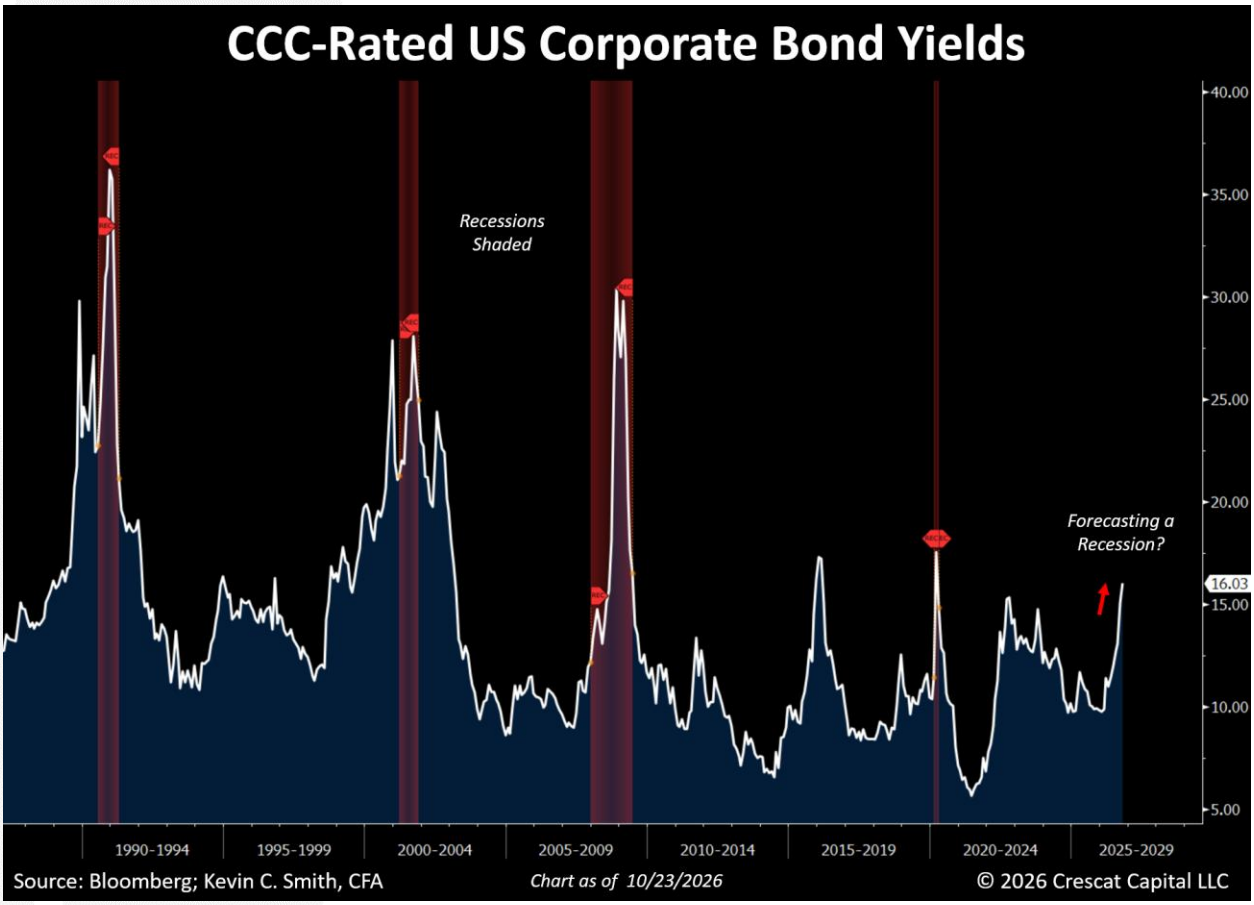
Margin Debt Levels Highly Concerning

Stock market exuberance for AI stocks is evident in record brokerage account leverage. We believe the unwinding of this leverage does not bode well for S&P 500 returns ahead.



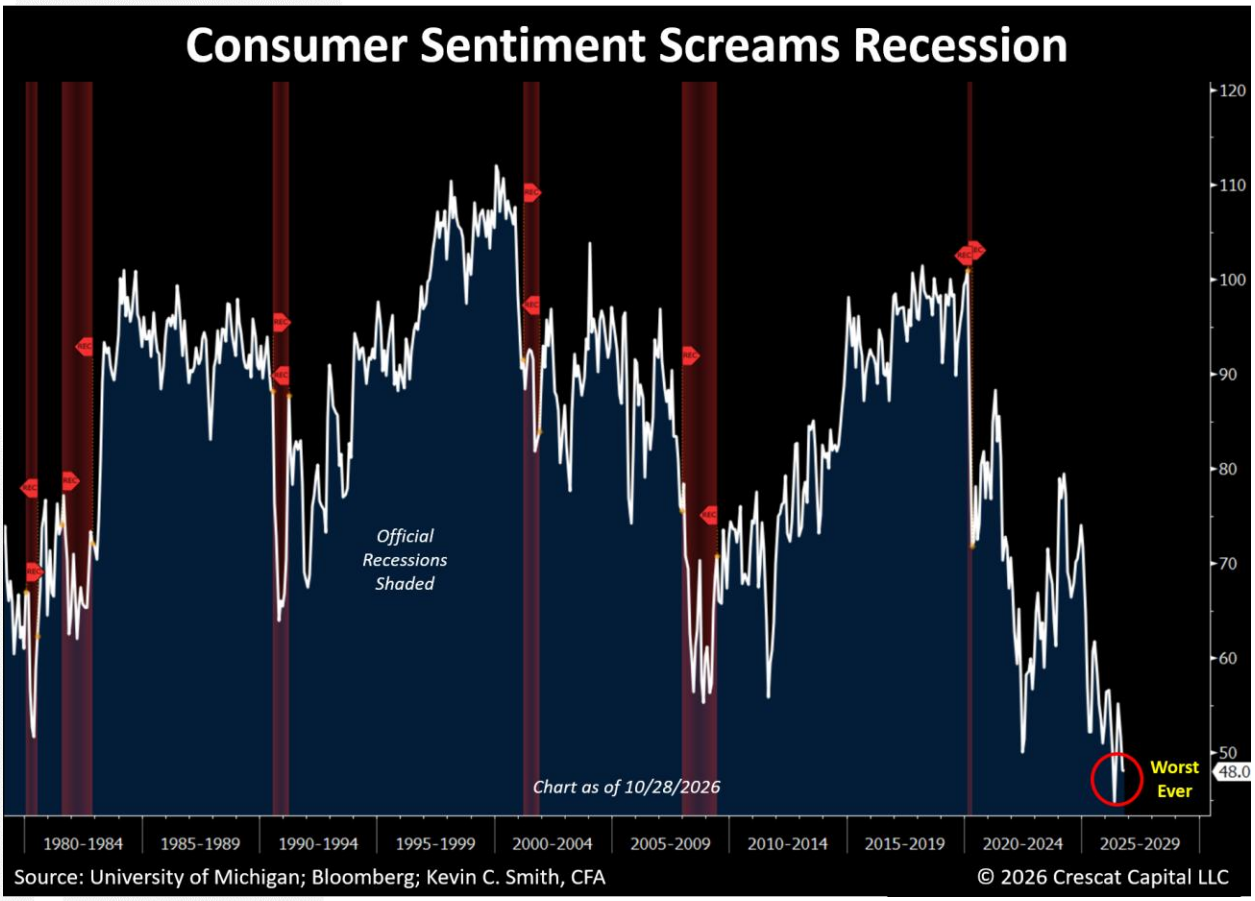
Corporate Credit Signaling Impending Recession

Recent sharply rising interest rates in the US CCC-rated corporate credit market are an important warning sign. They show the economy may be headed straight into a recession.



US Consumer Already in Recession

According to the University of Michigan's Consumer Sentiment Survey, the average American feels like it's already one of the worst recessions ever.



Fed Getting Ready to Print?

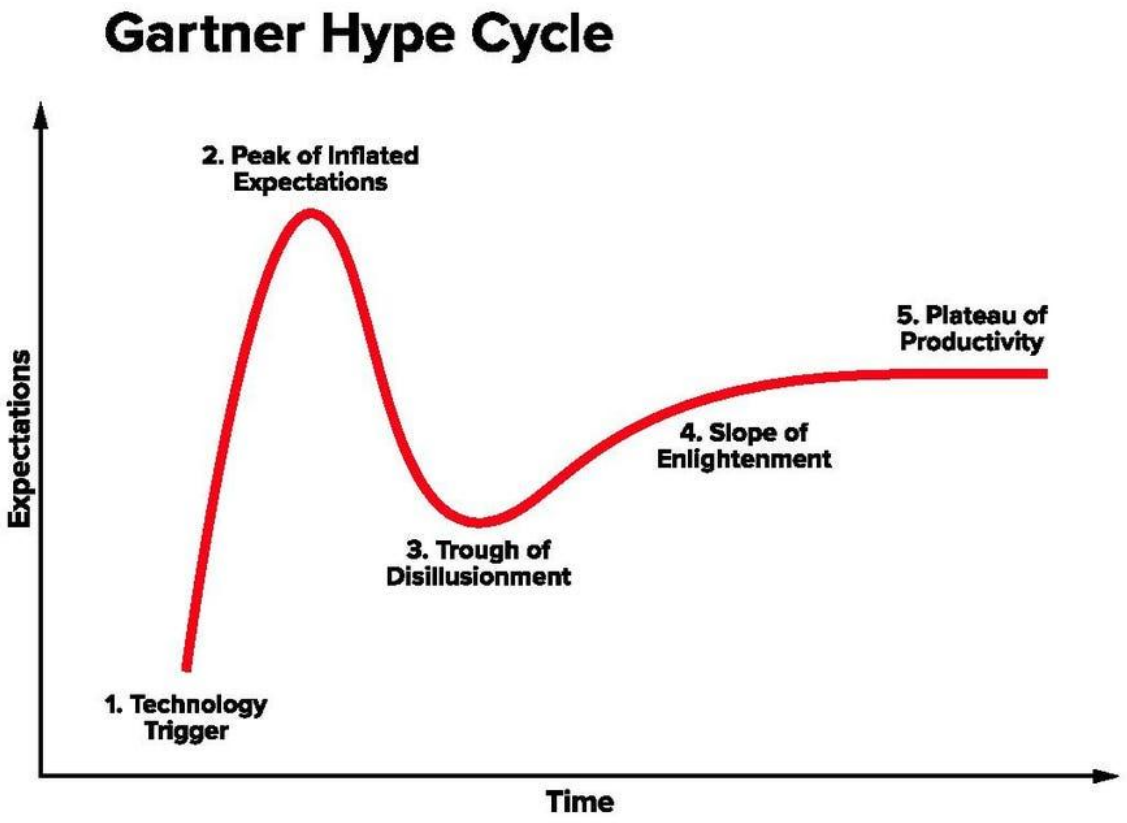
What all this means to us is that the Fed is getting ready to print much sooner than most market participants are anticipating. Money printing and interest rate accommodation are the paths of least resistance to the existing and impending market, economic, and geopolitical issues facing the US today. The setup is extremely bullish for gold and critical metals.

Silver at Key Support

Silver has reached a key level of technical support around the $49 level. This was the breakout level from a 45-year cup-and-handle pattern.

The Gartner Hype Cycle

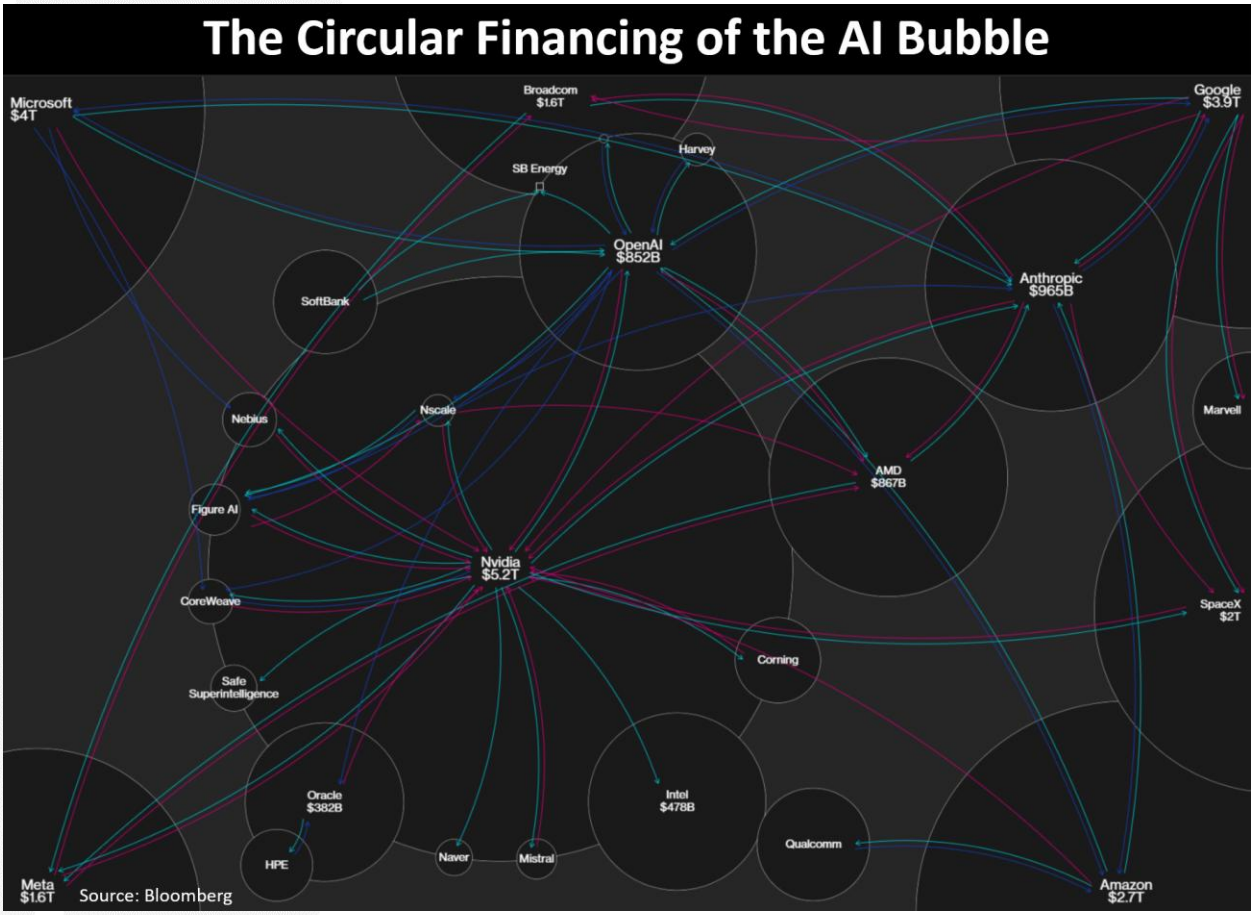
Gartner research and advisory recently laid out the risks of the AI infrastructure bubble. Its argument is that AI demand can grow enormously while the companies financing the infrastructure still earn inadequate returns. Its forecast puts the cumulative revenue shortfall for AI data-center owners at approximately $4.9 trillion through 2030—not because AI produces no value, but because spending is running ahead of the revenue expected to reach the infrastructure owners.



Source: Forbes

AI's Virtuous Cycle and Death Loop

Wall Street bankers and Silicon Valley tech bros have concocted an ingenious circular financing scheme for the US to build the world's leading AI infrastructure. The problem is that these serpentine deals have pulled all the revenues and earnings into the present for the combined companies involved while pumping up their market valuations to unsustainable levels that are not justified by the total future economic pie.



A Bloomberg piece that was just updated on October 27 with the chart above explains it well:

The risk with these "circular" deals is that they can create skewed incentives that may lead to bad decision-making and magnify losses if demand for AI fails to match today's lofty expectations. The stakes are high as the AI boom has sucked in gargantuan sums of money from debt and equity markets and buoyed multiple industries…

Circularity can be a winner for all involved if things go well: Company A buys a stake in Company B, giving Company B more money to invest and expand so that, in the end, it needs more of Company A's products and services. When demand is rising and capital is readily available, the combination of investments and purchase commitments can act like a flywheel.

If revenue from AI products does not grow as much or as fast as expected, Company B might find itself staring at untenable bills for data center capacity and hardware. Company A loses twice — Company B stops buying its products, and its stake in Company B tumbles in value.

Circular deals don't just increase the potential damage to the companies in a market downturn. They can also skew the balance of incentives to encourage bad decision making. A company that has one of

its suppliers as a major shareholder may be more likely to keep buying its stuff whether or not it makes commercial sense. That increases the risk of money being spent to secure business that fails to materialize. The circularity can be most risky when a handful of buyers are responsible for a large share of the market — as is the case with AI.

As we have shown in our past letters with prior capex bubbles, the committed capital continues to get spent, but the stock market tops first. The point is, the spending will continue, and the demand for scarce resources to fund the AI buildout will continue along with it. This is extremely bullish for scarce critical metal resources. AI will bring productivity gains in the long run. Eventually, there will be a few big winners in the AI trade to come out of a potential bust. But there will likely be many losers along the way among those who financed it.

Wars and Infrastructure Booms Are Inflationary

The US has the most prosperous economy in the world. It is the global protector of freedom, democracy, and human rights. It is funding wars to fight against governments opposed to these ideals. It has powerful allies. It is determined to win the AI race with China. The race is existential. Therefore, we believe the US military and AI infrastructure spending will continue, full steam ahead, even though the revenues do not cover the costs, neither at the government nor the corporate AI infrastructure level.

As commercial credit markets naturally seize up, we think the Fed will have no choice but to step in. In our opinion, investors must prepare ahead of time for US dollar depreciation and significantly rising inflation. The problem is most investors are not positioned for these things. There is still an opportunity to get positioned!

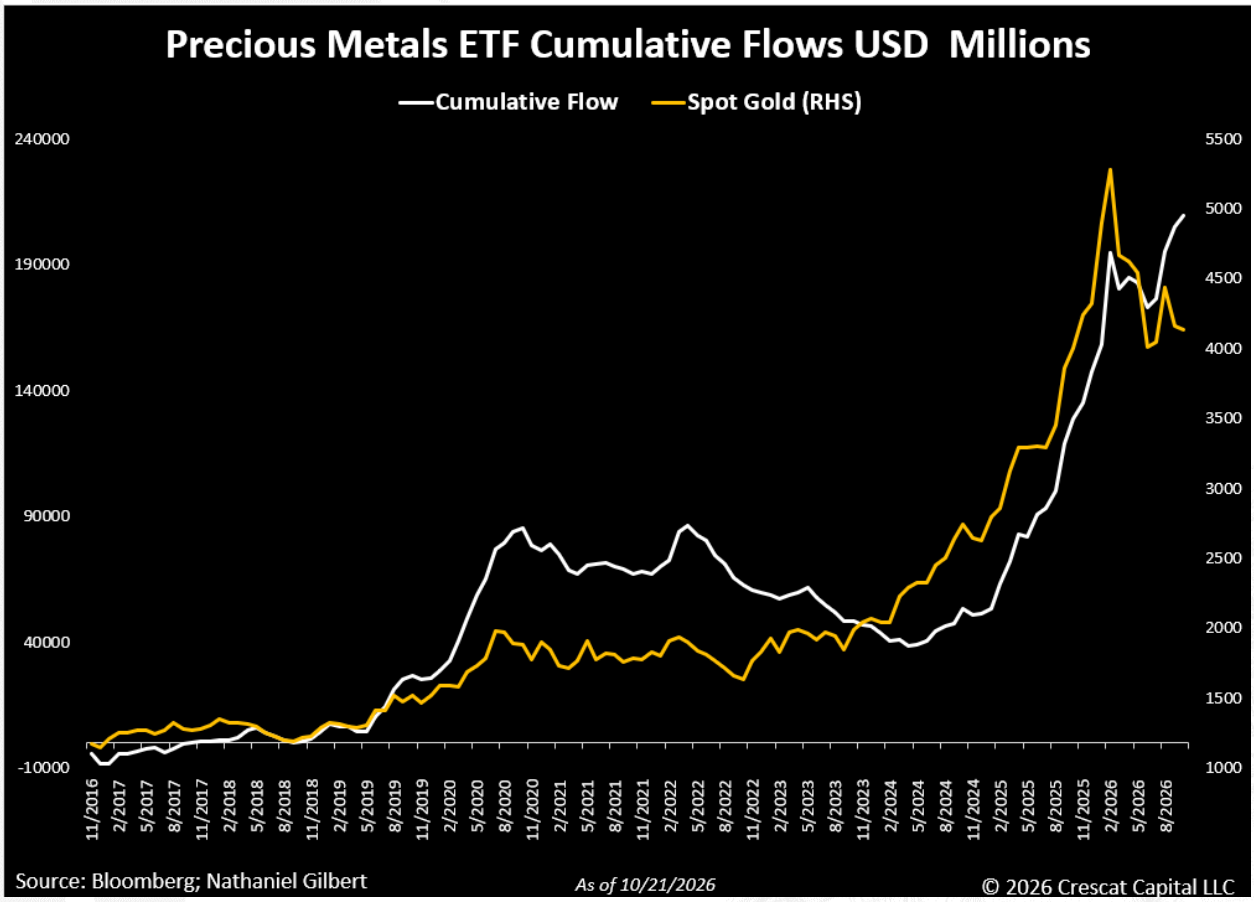
Japanese Yen as a Dollar Hedge

We have written about the potential unwind of the yen carry trade as a macro theme. In addition to our long precious and critical metals positions, we remain long yen in our macro funds as a further means to protect from likely dollar depreciation.

Source: Bloomberg 10/25/26

ETF Flows Positive for Gold

Historically, ETF demand will often follow price momentum. Investors will buy strength and sell weakness. However, recent market dynamics suggest a notable departure from this established relationship. Despite spot gold trading down to the range of its June-August lows, precious metals ETFs have continued to attract inflows from both institutional and retail investors. We believe this divergence is arising because precious metals demand is increasingly being driven by long-term macro implications rather than short-term price action. Lingering inflation, an unsustainable government budget deficit, heightened geopolitical tensions, and broader global economic uncertainty have reinforced the appeal of precious metals, particularly gold. In our view, these structural demand drivers are establishing a floor beneath gold prices.

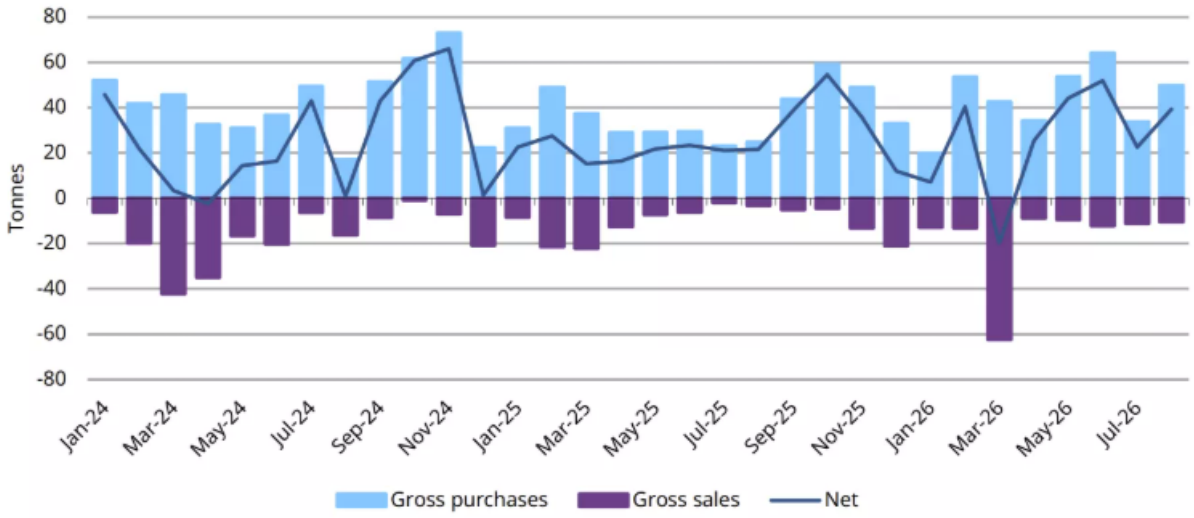


Strong Central Bank Support for Gold

Retail and institutional investors are not the only ones accumulating gold. Sovereign accumulation is also helping establish a floor. As of this writing, the most recent update from the World Gold Council, published on October 6, shows central banks added 39 tonnes in August. Recall in August, gold prices rallied, peaking at $4,650/oz and finishing the month at $4,400/oz. In our view, sustained central bank buying through the August rally debunks the idea that these buyers have become price sensitive. Rather, the buying activity reflects longer-term reserve expansion objectives.

Chart 1: Central banks remain positive in August with net buying of 39t

Monthly reported central bank activity, tonnes*

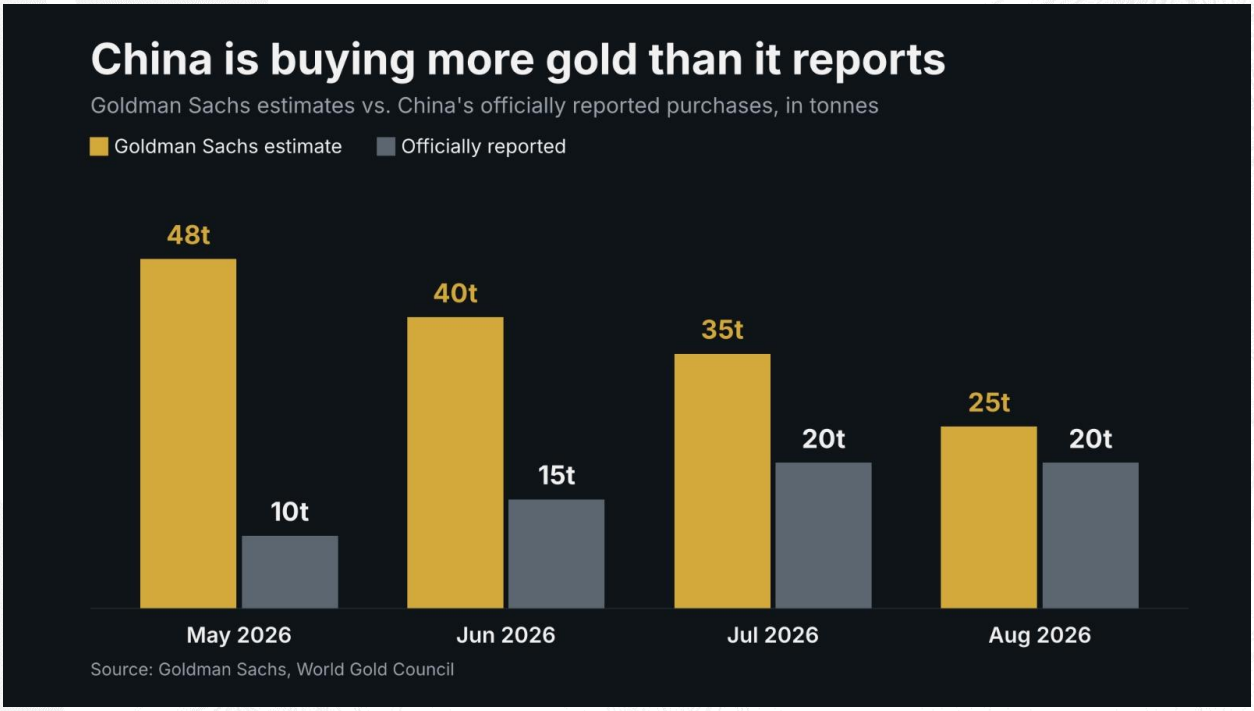


*Data to 31 August 2026, where available.

Source: IMF, respective central banks, World Gold Council

China Sneaking More Gold Purchases Amidst the Decline

Those are just the reported numbers. A recent report from Goldman Sachs suggests China, a major accumulator of the precious metal, is buying significantly more gold than it is officially reporting. It is important to point out, however, that the US Treasury still has far and away the most gold of any sovereign.

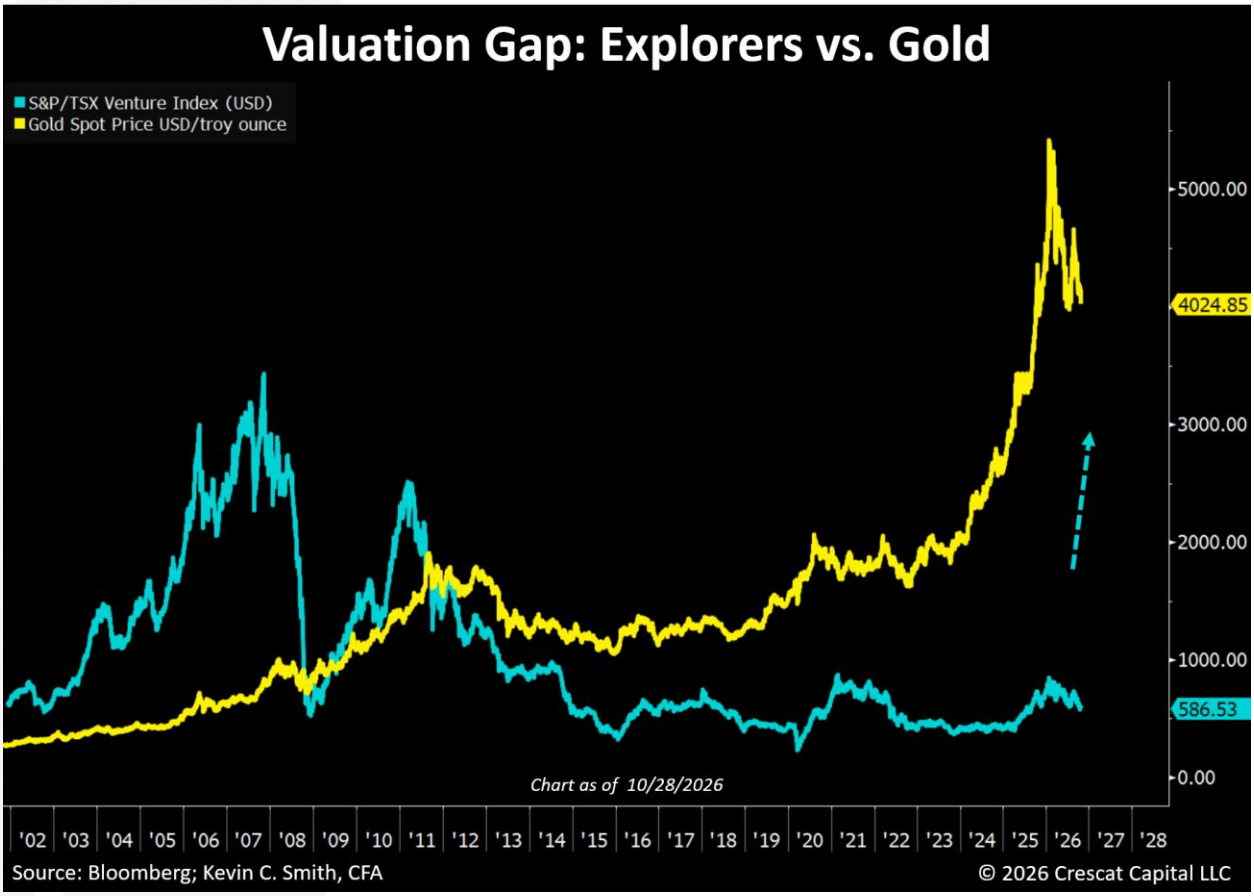


In short, demand for the metal is stronger than recent price action suggests. Despite yields pushing higher, hawkish rhetoric from the Federal Reserve, and crude prices creeping higher, gold has failed to push to lower lows. In our view, the prevailing bearish sentiment, and then some, has already been priced in. We believe gold's risk reward profile is the most attractive it has been this calendar year.

It's Time to Buy the Dip in Crescat's Funds

We think it is a great opportunity to buy the dip in Crescat's funds, which is almost entirely due to the pullback in September and October in precious metals stocks. We have curated our activist mining portfolio over the last seven years with the help of geologic experts. It is comprised of many of the world's most exciting new, large precious and critical metals discoveries. We are confident that many of our portfolio companies' discoveries will become highly profitable tier-1 mines.

We believe our portfolio is extremely undervalued with extraordinary upside potential. Our activist metals exploration portfolio, the largest long theme across our five funds, is trading at just 0.4% of the value of these companies' discovered metal based on our internal geologic resource estimates. Our research has shown that when a major mining company buys a gold explorer, on average, it pays 17% of the resource value of the metal in the ground. We are not saying that our entire portfolio will get bought out for around 17% of our internal resource estimates. We think some of our companies will, however. We believe our portfolio of recent and incipient discoveries can reasonably trade up to at least 3% to 5% of our estimated metal value once this gold and silver bull market gets going. The chart below illustrates the extremely depressed valuations for explorers today and the much higher multiples relative to gold that these stocks have traded at in the past. There can be no assurances that our valuation targets can be achieved. Future equity dilution must also be factored into one's assumptions for appreciation potential when using market cap-to-resource ratios.



A Highly Specialized Focus on Precious and Critical Metals

For 2025, all five of Crescat's funds ranked among the top 16 hedge funds according to Preqin, a leading independent provider of alternative asset data and analytics, thanks to our activist metals theme, but we think it is still early in a new multi-year bull market for metals and mining. The metals markets are volatile, but the upside opportunity more than justifies the risk in our analysis. We believe mining stocks offer an attractive opportunity for those interested in deep value and high growth to stay well ahead of the inflation curve. The pullback in the mining stocks year-to-date gives new and existing investors a great place to add, in our strong opinion.

We are focused on exploration and discovery because that is the segment of the mining industry where the most value is created, based on our analysis. That is also where the most opportunity is today. Many of the well-known billionaires in the mining industry have made their billions by financing exploration with equity capital and making big economically viable discoveries. Pierre Lassonde, Eric Sprott, Ross Beatty, Tom Kaplan, Robert Friedland, and the Lundin family are all prime examples. Highly specialized expertise and a portfolio approach are keys to de-risking investment in exploration stocks while positioning for the upside. We have built our portfolio with the guidance of two veteran PhD economic geologists, Quinton Hennigh and Bill Pearson.

Crescat is Launching a Biotech Fund

To try to replicate the success we have had in our precious metals funds with a highly specialized industry-focused strategy, Crescat has been running a biotech theme inside its macro and long/short funds for the last four years. We are now ready to launch this theme as its own fund. Lars Theil, who is a PhD molecular biologist,

has been advising on this theme since its inception. We show his outstanding track record in advising us on this theme below. He will become the lead portfolio manager of this fund, and the Crescat investment team will back him up.

Extracted Performance of the Crescat Biotech Investment Theme (Part 1)

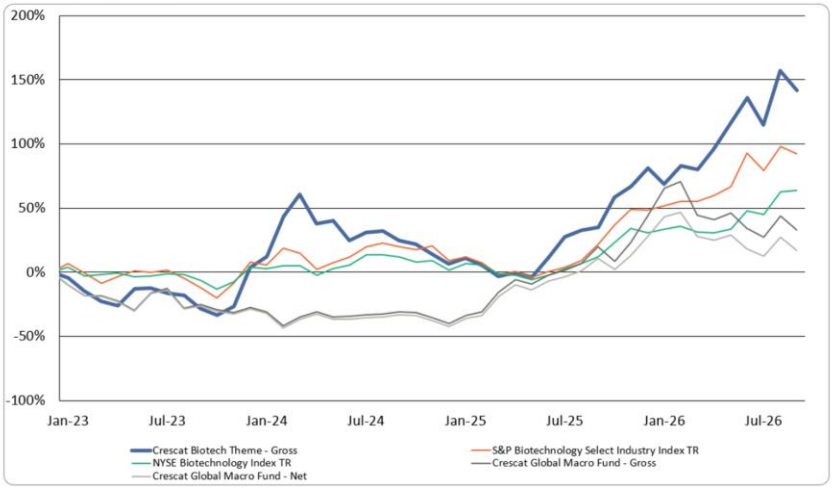
January 1, 2023 – September 30, 2026

	Annualized Since Inception (2003)	Cumulative Since Inception (2003)	2026 YTD Sept.	2025	2024	2023
Crescat Biotech Theme - Gross (Extracted from Crescat Global Macro Fund)	26.5%	141.4%	33.3%	70.4%	2.7%	3.5%
Crescat Global Macro Fund - Gross	7.8%	32.5%	-7.7%	139.3%	-17.4%	-27.4%
Crescat Global Macro Fund - Net (Net of Highest Fee Paying Class)	4.3%	17.1%	-8.6%	122.4%	-19.0%	-28.8%
Benchmark: NYSE Biotechnology Index TR	14.1%	63.7%	25.2%	28.5%	-2.1%	4.0%
Benchmark: S&P Biotechnology Select Industry Index TR	19.1%	92.3%	29.7%	36.0%	1.2%	7.8%

Sources: Crescat Capital LLC, State Street Global Advisors/S&P Dow Jones Indices LLC, and BlackRock/iShares
Past performance does not guarantee future results. Performance figures presented for the Global Macro Fund represent the fund's net returns calculated with the impact of the San Cristobal Mining, Inc. side pocket that was designated on July 1st, 2024. The side pocket includes a private equity asset that is not available to new investors in the funds on or after July 1, 2024. Net returns reflect the performance of an investor who invested from inception and is eligible to participate in new issues and side pocket investments. Net returns reflect the reinvestment of dividends and earnings and the deduction of all expenses and fees (including the highest management fee and incentive allocation charged, where applicable). Gross performance does not reflect the deduction of fees or expenses which will reduce performance returns. The Biotech performance shown reflects extracted performance of all the biotech companies which Lars Theill advised Crescat on extracted from the Crescat Global Macro Fund (CGMF). The results shown do not represent the performance of any fund or client account and are not indicative of the performance of any portfolio in its entirety. Extracted performance is inherently limited because it does not include all investments made during the relevant period and is not representative of overall portfolio performance. Additional information regarding the performance of the CGMF, including the overall performance results, are available here: https://www.crescat.net/performance/

Extracted Performance of the Crescat Biotech Investment Theme (Part 2)

January 1, 2023 – September 30, 2026



Sources: Crescat Capital LLC, State Street Global Advisors/S&P Dow Jones Indices LLC, and BlackRock/iShares
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How to Invest in Crescat's Funds

Reach out to Marek for information on the biotech fund and to learn how to invest. We are taking subscriptions now and will launch in January. To invest in our existing funds, there is still time to add money for a November start to take advantage of the pullback in the precious metals markets. Subscription docs must be received by this weekend.

Performance Through September

Crescat Strategies Net Return Through September 30, 2026

CRESCAT FUND	TRACK RECORD SINCE INCEPTION			CURRENT PERIOD		ANNUALIZED TRAILING			
INCEPTION DATE	ANNUALIZED	CUMULATIVE	YEARS SINCE INCEPTION	SEPTEMBER	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR
Global Macro Hedge Fund (Jan.1, 2006)	**10.8%**	**741.6%**	**20.8**	**-7.9%**	**-8.5%**	**5.7%**	**16.7%**	**10.4%**	**7.1%**
Excluding SCM SP[2] (Jan.1, 2006)	**9.1%**	**507.3%**	**20.8**	**-11.4%**	**-24.8%**	**-23.8%**	**4.7%**	**3.5%**	**3.7%**
Benchmark: HFRX Global Hedge Fund Index	1.7%	41.6%		-0.4%	3.9%	5.4%	6.0%	2.9%	3.3%
Institutional Macro Hedge Fund (July 1, 2023)	**9.6%**	**34.7%**	**3.3**	**-8.6%**	**-10.0%**	**3.9%**	**14.4%**	-	-
Excluding SCM SP[2] (July 1, 2023)	**-0.5%**	**-1.6%**	**3.3**	**-12.1%**	**-24.4%**	**-23.7%**	**3.0%**	-	-
Benchmark: HFRX Global Hedge Fund Index	5.8%	20.1%		-0.4%	3.9%	5.4%	6.0%		
Long/Short Hedge Fund (May 1, 2000)	**7.3%**	**547.4%**	**26.4**	**-8.5%**	**-9.5%**	**6.4%**	**17.7%**	**7.0%**	**6.2%**
Excluding SCM SP[2] (May 1, 2000)	**5.8%**	**347.9%**	**26.4**	**-13.1%**	**-28.9%**	**-26.4%**	**4.1%**	**-0.6%**	**2.3%**
Benchmark: HFRX Equity Hedge Index	3.3%	138.0%		-1.0%	6.8%	8.6%	9.5%	6.1%	5.5%
Precious Metals Hedge Fund (August 1, 2020)	**31.4%**	**438.3%**	**6.2**	**-6.8%**	**3.7%**	**27.7%**	**31.6%**	**14.6%**	-
Excluding SCM SP[2] (August 1, 2020)	**28.5%**	**370.2%**	**6.2**	**-9.6%**	**-1.8%**	**7.7%**	**25.8%**	**11.5%**	-
Benchmark: Philadelphia Gold and Silver Index	16.5%	157.2%		-11.3%	6.4%	22.9%	51.7%	27.2%	
Institutional Precious Metals Hedge Fund (July 1, 2023)	**24.9%**	**106.3%**	**3.3**	**-7.7%**	**0.0%**	**22.8%**	**26.6%**	-	-
Excluding SCM SP[2] (July 1, 2023)	**19.6%**	**79.0%**	**3.3**	**-10.8%**	**-6.7%**	**2.0%**	**20.8%**	-	-
Benchmark: Philadelphia Gold and Silver Index	42.3%	215.1%		-11.3%	6.4%	22.9%	51.7%		

Crescat Precious Metals Fund and Global Macro Fund are closed to new US investors.

Sources: HFR, Inc., NASDAQ, and Crescat Capital LLC. Past performance does not guarantee future results; Investing involves risk, including risk of loss. See additional important disclosures below.

Sincerely,

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Performance

Performance data represents past performance, and past performance does not guarantee future results. *Performance data, including Estimated Performance, is subject to revision following each monthly reconciliation and/or annual audit. Individual performance may be lower or higher than the performance data presented. The currency used to express performance is U.S. dollars. Before January 1, 2003, the results reflect accounts managed at a predecessor firm.* ***Crescat was not responsible for the management of the assets during the period reflected in those predecessor performance results. We have determined the management of these accounts was sufficiently similar and provides relevant performance information.***

Net returns reflect the performance of an investor who invested from inception and is eligible to participate in new issues and side pocket investments. Net returns reflect the reinvestment of dividends and earnings and the deduction of all expenses and fees (including the highest management fee and incentive allocation charged, where applicable). An actual client's results may vary due to the timing of capital transactions, high watermarks, and performance.

2 – Performance figures presented Excluding SCM SP represent the fund's net returns calculated without the impact of the San Cristobal Mining, Inc. side pocket that was designated on July 1st, 2024. The side pocket includes a private equity asset that is not available to new investors in the funds on or after July 1, 2024. Excluding these assets provides a clearer view of the performance to investors coming into the funds after that date. New investors cannot participate in the SCM Side Pocket and will not share in its potential

gains or losses. Investors should consider both the overall performance and the performance excluding the side pocket when evaluating the fund's returns.

Extracted Performance of the Crescat Biotech Investment Theme:
The performance presented reflects the extracted performance of all biotechnology investments held in the Crescat Global Macro Fund for which Lars Theill advised Crescat during the periods shown. These investments formed part of a broader portfolio and were not managed as a separate, standalone portfolio. The results do not represent the actual performance of the fund or returns achieved by any investor.

Extracted performance has inherent limitations. Investment decisions and position sizes reflected the objectives, available capital, and risk constraints of the Crescat Global Macro Fund. A standalone biotechnology portfolio could have differed materially in its holdings, cash balances, diversification, liquidity needs, trading activity, and fees and expenses. Excluding other Global Macro Fund investments also excludes their effects on overall portfolio returns and risk. The extracted results therefore may not reflect the returns or risks of managing these investments independently.

Ranking data shown is generated by Preqin, a leading provider of data and intelligence for the alternative assets industry. Fund managers, including Crescat, report their performance information to Preqin. Crescat pays an annual fee to Preqin to have access to the database, which gives us the ability to generate this report. No award or ranking should be construed as a guarantee that you will experience a certain level of results, nor should it be construed as a current or past endorsement of Crescat. Additional performance information can be found on Crescat's website here: https://www.crescat.net/performance/. The rankings are versus all 2,357 hedge funds in the Preqin database and YTD performance updated through December 2025 as of 1/31/2026:

Benchmarks

*The **HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.*

***The HFRX Equity Hedge Index** measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.*

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***The PHLX Gold/Silver Sector Index (XAU)** is a capitalization-weighted index composed of companies involved in the gold or silver mining industry.*

Returns for any index include the reinvestment of income and do not include transaction fees, management fees or any other costs. The performance and volatility of the funds will be different than

those of the indexes. One cannot invest directly in an index. Benchmarks are unmanaged and provided to represent the investment environment in existence during the time periods shown.

The NYSE Biotechnology Index TR is a modified float-adjusted market capitalization-weighted index that measures the performance of U.S.-listed companies in the biotechnology sector . This includes companies engaged in the research, development, and enablement of therapeutic treatments . As a total return index, its performance reflects the reinvestment of all cash dividends and distributions.

The S&P Biotechnology Select Industry Index TR is a modified equal-weighted index designed to measure the total return performance of the biotechnology segment of the S&P Total Market Index (TMI). By employing an equal-weighted methodology, the index represents broad exposure across large, mid, and small-cap biotech companies. Its performance includes the reinvestment of all dividends and other income.

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