

September 17, 2022

## Sell Big Tech, Buy Explorers, Hedge with Yuan Puts

Dear Investors:

The Crescat Global Macro Fund was up 2.9% net in August and 38.8% net year to date. Mega Cap Growth shorts were the best performing theme overall generating a 2.3% absolute return to the fund while the S&P 500 was down 4.1%. The Long/Short and Precious Metals Funds were also up in August. All Crescat strategies have outperformed their benchmarks in August, year to date, and since inception net of fees as shown in the table below.

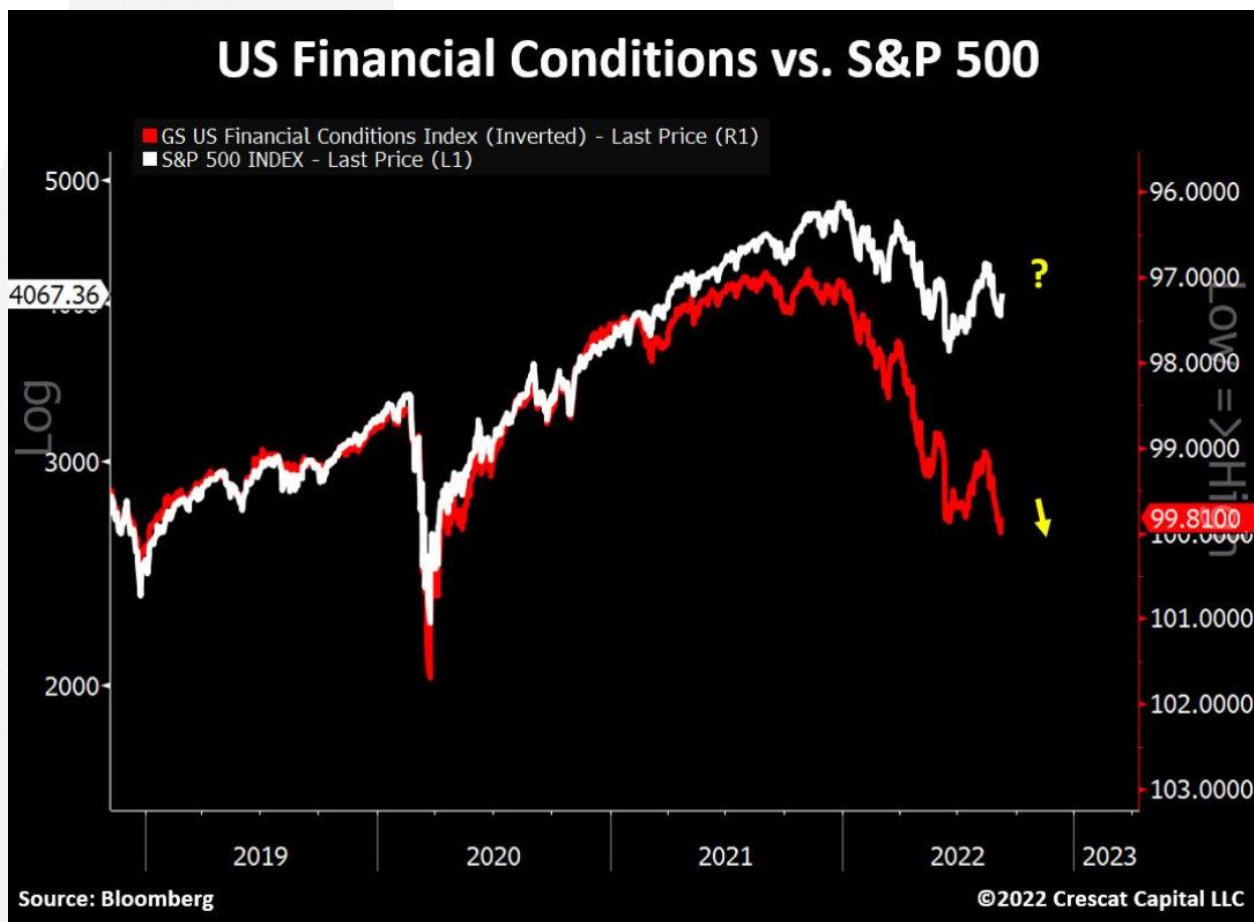
Crescat has a long-term firmwide track record across multiple business cycles and investment strategies. Our persistent alpha across all of these products illustrates the value added by Crescat's investment process which is driven by our macro models and themes, value-investing bias, and long-running equity fundamental model.

### Crescat Strategies Net Returns through August 31, 2022

CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	August	YTD	Annualized Trailing				CUMULATIVE SINCE INCEPTION	YEARS SINCE INCEPTION
			1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION		
<b>Global Macro Hedge Fund</b> (Jan. 1, 2006)	2.9%	38.8%	31.9%	20.8%	13.9%	12.9%	658.1%	16.7
Benchmark: HFRX Global Hedge Fund Index	0.9%	-3.6%	-3.9%	3.2%	2.0%	1.0%	18.1%	
<b>Long/Short Hedge Fund</b> (May 1, 2000)	1.4%	17.9%	15.8%	18.6%	11.7%	8.2%	480.5%	22.3
Benchmark: HFRX Equity Hedge Index	0.8%	-2.8%	-0.8%	5.7%	3.6%	2.6%	76.3%	
<b>Precious Metals Hedge Fund</b> (August 1, 2020)	1.8%	-8.5%	-6.8%	-	-	63.0%	176.4%	2.1
Benchmark: Philadelphia Gold and Silver Index	-9.5%	-25.0%	-25.5%	-	-	-18.3%	-34.4%	
<b>Large Cap SMA</b> (Jan. 1, 1999)	-3.3%	-5.9%	9.2%	3.7%	4.8%	9.6%	774.1%	23.7
Benchmark: S&P 500 Index	-4.1%	-16.2%	-11.2%	12.4%	11.8%	7.0%	400.7%	
<b>Precious Metals SMA</b> (June 1, 2019)	-3.6%	-15.6%	-17.9%	17.2%	-	31.0%	140.5%	3.3
Benchmark: Philadelphia Gold and Silver Index	-9.5%	-25.0%	-25.5%	1.0%	-	12.3%	46.0%	

## Bear Market Still Unfolding

A sharp cyclical bear market for overvalued, long-duration financial assets has much to play out, in our view, over the next one to two years as the Federal Reserve attempts to establish inflation-fighting credibility by continuing to raise interest rates and shrink its balance sheet. Note the deterioration in financial conditions, a gravitational force exerting downward pressure on the S&P 500 Index as shown below. The latter still trades at high multiples relative to historic standards so appears to have significantly more downside ahead.



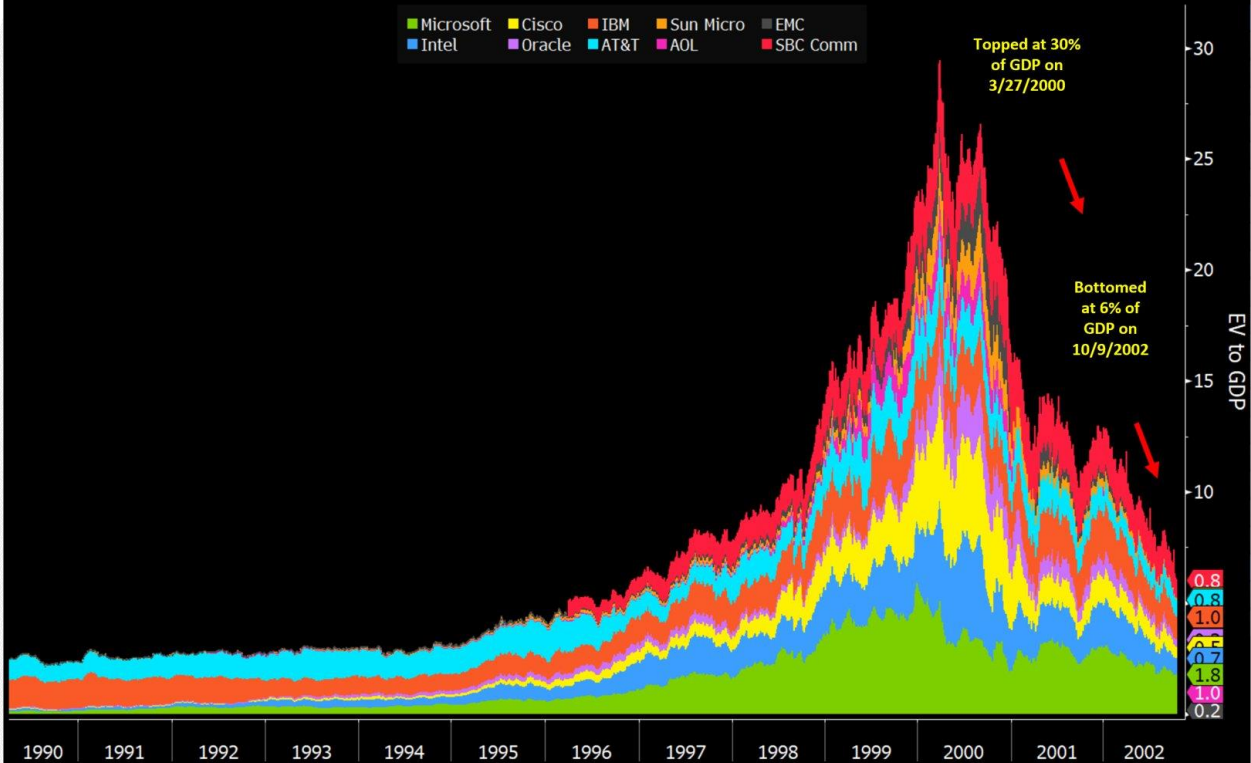
The extraordinary valuation bubble in financial assets that we have today was created by the ongoing Fed easing in the wake of the Global Financial Crisis only to be further accelerated during Covid. But inflationary pressures now have the Fed trapped. It is forced to aggressively tighten monetary conditions. As a result, the unfolding bear market for financial assets and the coming recession over the next one to two years are likely to be pernicious. We remain positioned for it on the short side in our Global Macro and Long/Short funds.

Note the comparisons to the Tech Bubble and Bust in the early 2000s. In terms of enterprise value to GDP, valuations of mega-cap tech stocks went 87% higher in this mania versus the last. While a bear market has arguably begun already, there is substantially more downside ahead for large cap tech stocks.



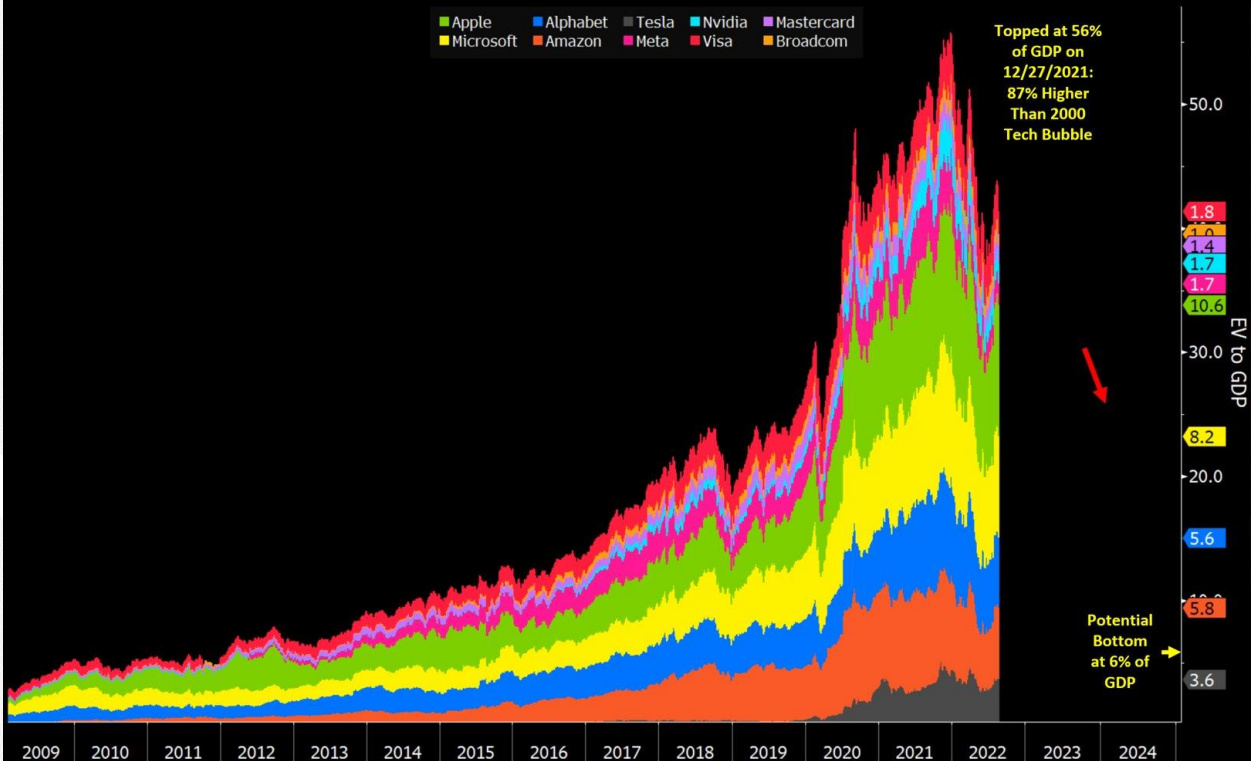
# Tech Bubble Then (2000)

Top 10 US Technology Stocks by Market Cap at S&P 500 Peak (3/24/2000): Enterprise Value as % of GDP



# Tech Bubble Now (2022)

Top 10 US Technology Stocks by Market Cap at S&P 500 Peak (1/3/2022): Enterprise Value as % of GDP



Source: Bloomberg

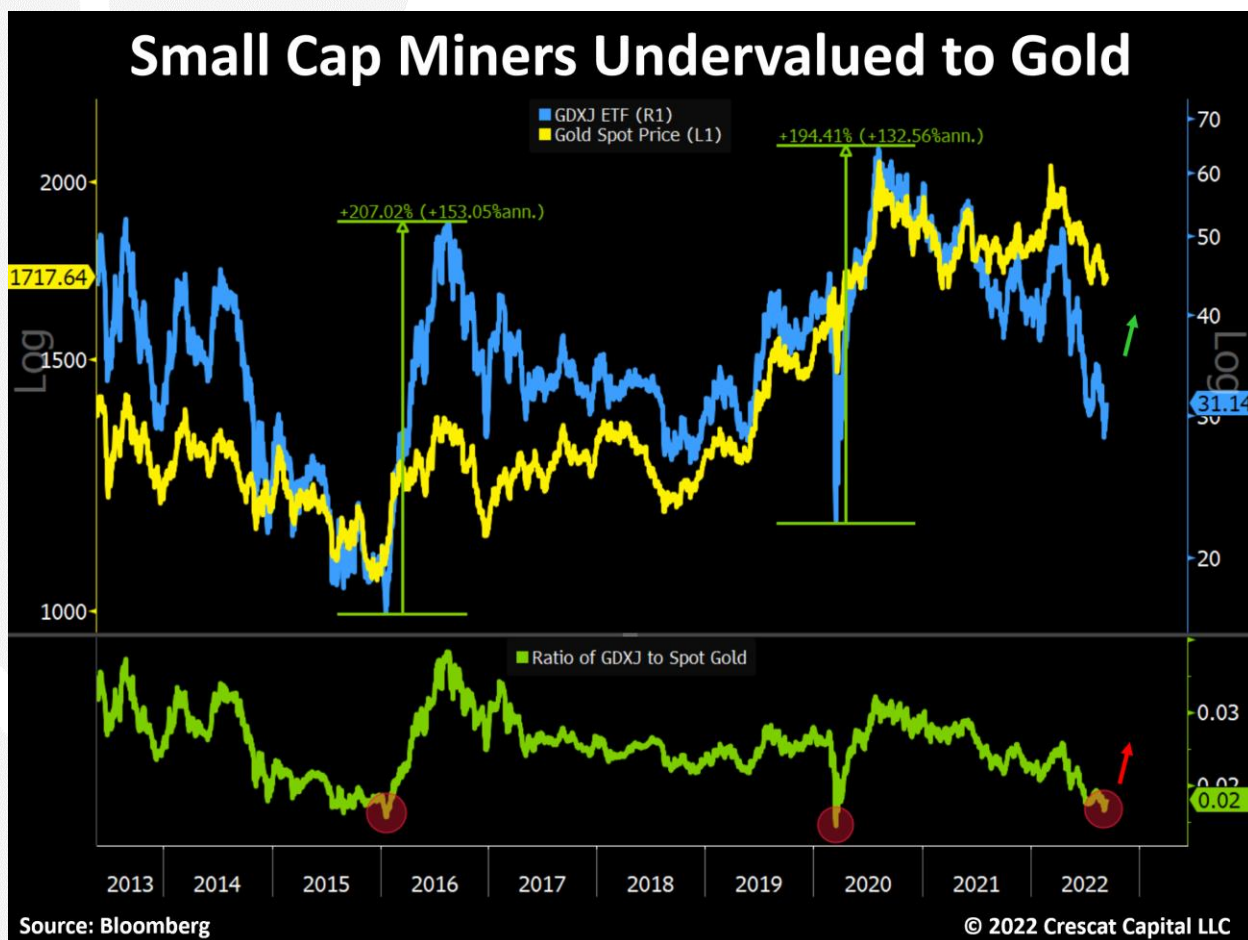
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## Deep Value & High Appreciation Potential in Natural Resources Industries

In addition to abundant short opportunities, there are incredible, deep-value, high-appreciation-potential long-side opportunities in the energy and materials sectors. Natural resource industries including mining & metals, oil & gas, and agriculture are beneficiaries of the current macro setup.

By its own admission, the Fed can only control the demand side of inflationary pressures. The problem is that supply shortages in natural resource industries are a bigger inflationary driver today. A declining trend of capital investment over the last seven-to ten-years is the culprit. New natural resource production often takes years to permit, capitalize, and develop. As a result, we are likely to be in a grinding stagflationary macro environment.

Interest rate hikes accomplish short-term demand reduction via financial asset wealth destruction and recession. They do nothing to solve the bigger long-term supply-driven inflation problem. Paradoxically, the Fed's tightening only prolongs the much-needed capital investment to alleviate inflationary pressure and grow the economy. This presents an extraordinary opportunity for investors today seeking both high growth and inflation protection through resource industry investing. The timing for beat-up precious metals mining stocks is especially attractive right now. Such companies trade at extremely depressed valuations while simultaneously possessing high growth potential. Gold and silver miners have undergone a long base-building process since 2015. Look at how cheap small-cap miners are relative to gold itself and how this setup yielded sharp gains over the next five to eight months in the two prior extremes since the 2015 lows.



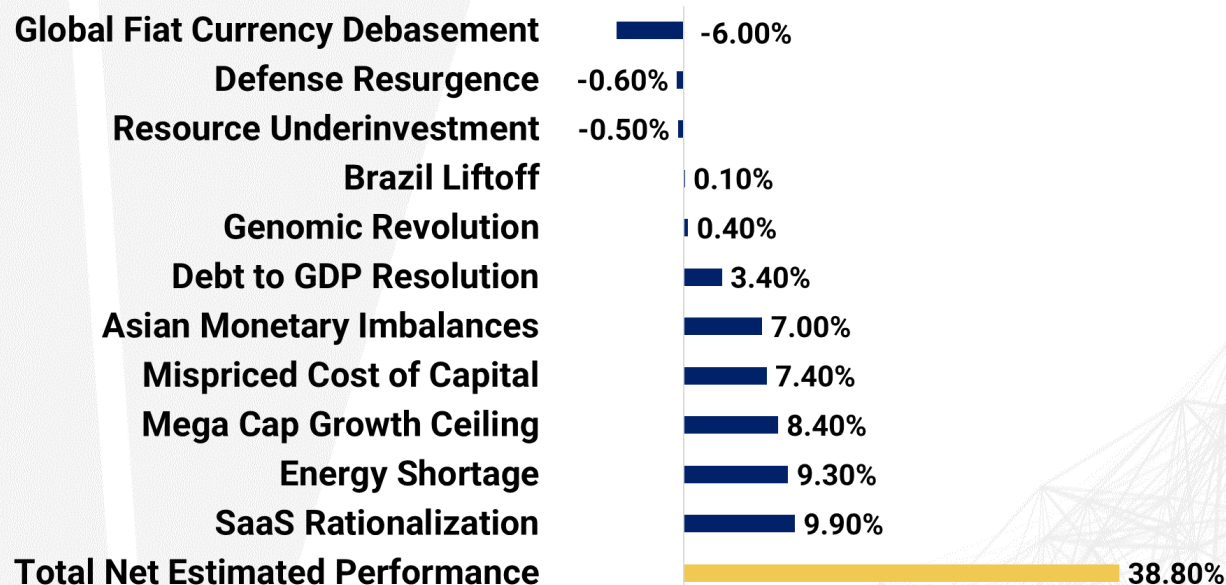


The Philly Gold & Silver Index was down 9.5% in August and CPMF was up 0.8% net. Crescat's activist holdings generated extraordinary alpha for the month while overall market sentiment plummeted on misguided Fed fears. The Precious Metals Fund has truly an amazing collection of deep value, high appreciation potential, gold, silver, and copper, nickel deposits in quality jurisdictions all over the planet. That theme also remains our single biggest equity long exposure in Global Macro and Long/Short.

#### Year-to-Date Profit Attribution in Crescat Global Macro Fund

As seen in the profit attribution table below, our short-related positions accounted for five of our six top-performing themes. The combination of our themes is what generated the 38.8% net performance YTD in the Global Macro Fund. We expect our short themes to continue to perform through year-end especially given still-high valuations and deteriorating financial conditions.

#### Crescat Global Macro Fund Profit Attribution By Theme Year to Date Through August 31, 2022



#### Recent Press Coverage from Bloomberg

Crescat's Global Macro and Long/Short funds are among the top-performing hedge funds year-to-date as recently highlighted by Bloomberg.

U.S.

## RETURNS (%)

	AUGUST	2022
CASTLEKNIGHT	6.4	14.0
GREENLIGHT CAPITAL	5.7	20.0
PERSHING SQUARE HOLDINGS	2.9	-16.1
CRESCAT GLOBAL MACRO	2.5	38.4
CRESCAT PRECIOUS METALS	1.6	-8.6
CRESCAT LONG/SHORT	1.2	17.7
VIKING GLOBAL EQUITIES	1.0	-4.0
SCHONFELD PARTNERS	0.3	5.1
COATUE	0.2	-17.6
D1 CAPITAL	0.0	-28.0
TIGER GLOBAL	0.0	-49.8
SCHONFELD FUNDAMENTAL EQUITIES	-0.1	2.8
THIRD POINT	-0.2	-20.0

SOURCE: BLOOMBERG NEWS

Bloomberg also wrote a story on our China yuan theme and Global Macro Fund this month, which we encourage you to read:

<https://www.bloomberg.com/news/articles/2022-09-12/hedge-fund-s-decade-long-wait-for-china-yuan-crash-nears-payday>

### Buy When There is Blood in the Street

The pullback in precious metals is a blessing in disguise for investors who have been on the fence about adding to their investment or those who are not currently invested in Crescat. It gives them the opportunity to take a position in our funds without feeling like they missed the boat. We think the sentiment on precious metals is due for a change soon as investors start to flock to the safe-haven asset class.

Lord Byron said it best, "O Gold! I still prefer thee unto paper, which makes bank credit like a bark of vapour."

Sincerely,

Kevin C. Smith, CFA  
Member & Chief Investment Officer

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Member & Portfolio Manager



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### Important Disclosures

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**Separately Managed Account (SMA) disclosures:** The Crescat Large Cap Composite and Crescat Precious Metals Composite include all accounts that are managed according to those respective strategies over which the manager has full discretion. SMA composite performance results are time weighted net of all investment management fees and trading costs including commissions and non-recoverable withholding taxes. Investment management fees are described in Crescat's Form ADV 2A. The manager for the **Crescat Large Cap** strategy invests predominantly in equities of the top 1,000 U.S. listed stocks weighted by market capitalization. The manager for the **Crescat Precious Metals** strategy invests predominantly in a global all-cap universe of precious metals mining stocks.

**Hedge Fund disclosures:** Only accredited investors and qualified clients will be admitted as limited partners to a Crescat hedge fund. For natural persons, investors must meet SEC requirements including minimum annual income or net worth thresholds. Crescat's hedge 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 Crescat's hedge 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 hedge fund with the SEC. Limited partner interests in the Crescat hedge 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 Crescat's hedge funds are not subject to the protections of the Investment Company Act of 1940. 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. The performance of Crescat's hedge funds may not be directly comparable to the performance of other private or registered funds. Hedge funds may involve complex tax strategies and there may be delays in distribution tax information to investors.

Investors may obtain the most current performance data, private offering memoranda for a Crescat's hedge funds, and information on Crescat's SMA strategies, including Form ADV Part II, by contacting Linda Smith at (303) 271-9997 or by sending a request via email to [lsmith@crescat.net](mailto:lsmith@crescat.net). See the private offering memorandum for each Crescat hedge fund for complete information and risk factors.