

October 9, 2023

September Performance and Positioning Update

Dear Investors:

Crescat's three hedge funds delivered strong performance in September in a down month for broad equity and fixed-income markets. All five short themes in the Global Macro Fund and all four in the Long/Short Fund delivered gains. Last month, we introduced a new macro theme entitled **ESG Rethink** which included winning shorts in NextEra Energy and other financially challenged utilities. On the long side, all Crescat's hedge funds including Precious Metals were beneficiaries of an upward revaluation of San Cristobal Mining. The Global Macro Fund, Long/Short Fund, and Precious Metals Fund were up an estimated 3.3%, 4.7%, and 7.6% respectively for the month. The S&P 500 Index was down 4.8% for the month.

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We believe there is much to play out in both our long and short macro themes at Crescat. ***We anticipate a significant US large-cap growth equity sell-off to come catalyzed by a new structurally higher-for-longer interest rate and inflation environment.*** The road map is 1973-74 and 2001-02. History does not repeat, but it rhymes. These were times when the combination of late-cycle Fed tightening and Treasury bond market selloffs morphed into the bursting of large-cap growth stock bubbles. These were also economies with geopolitical and wartime features not dissimilar to today. For instance, in October 1973, Arab countries attacked Israel leading to

the Yom Kippur War and an oil embargo. At the same time, the US was embroiled in a costly and politically divided war in Vietnam.

In our other comparable timeframe, September 2001 was the attack on the World Trade Center, a direct act of war on the US at a time of deep partisan divide. We mention the idea of these wartime parallels because some market pundits may be postulating that a war would be bullish for US stocks and the economy. That was certainly not the case during these two periods which were marked by both real economic downturns and stock-market meltdowns.

It is also very important to note that both these windows coincided with major macro regime shifts where scarce commodities and natural resource stocks rose during the recessions after a period of long-term suppression and then continued with major secular bull markets in the ensuing recoveries. These are macroeconomic parallels today that we think are most relevant for the road ahead in equity and commodity markets.

Looking for the proper forward-thinking macro analog from history is critical today because a stagflationary recession playbook is much different than the deflationary one where commodities get slaughtered and Treasury bonds are among the few securities that go up. ***The problem is that the 2008 Global Financial Crisis is still ingrained in the muscle memory of so many investors and money managers today.*** This explains why owning long-duration Treasuries has been such a crowded trade for so long and remains so today. The truth is, on a risk-adjusted basis, long-term government bonds have been one of the worst-performing trades possible in the last two years. Now, we believe there is a chain reaction of problems from this wrong-way positioning that is only just beginning to surface.

The escalating financial threat from the destruction in collateral value of US and global government securities in a highly leveraged world economy is profoundly concerning. The very individuals who previously dismissed the lagging impact of falling bond prices within the banking system are now claiming that worries about a recession are widespread.

While further severe downside in US Treasury bonds from today's levels may indeed be less of a risk, significant upside remains highly questionable. More importantly, we envision substantial equity market value destruction directly ahead. The rise in long-term rates is most likely to hit overvalued and over-leveraged large-cap consumer and financial sectors next along with highly popular and bloated mega-cap technology stocks. We remain steadfast in our short positions in these areas in our Global Macro and Long/Short Funds.

Nasdaq vs. Treasuries

Calculation: Nasdaq 100 Total Return / Bloomberg Treasuries Total Return



With respect to our long positions, we are not only fans of precious metals for an upcoming stagflationary recession but look favorably at commodities for the entire next economic expansion cycle.

We expect the inevitable recovery to be led by value-oriented cyclical growth industries on the back of massive government fiscal stimulus focused on rebuilding US resources, infrastructure, and manufacturing. In this regard, the US already has already approved three bi-partisan spending acts that are ripe to be expanded. Deficit-and-inflation-conscious political posturing ahead of the 2024 elections should be putting the brakes on these spending programs for now which only increases the risk of a not-so-soft landing. We think Washington elites must now wait for the green light of an economic and financial crisis, God-forbid a provoked entry into direct military conflict, to ramp them up.

In the meantime, we have never been more excited about the opportunity to put money to work on the long side in the wrongfully distressed metals and mining industry. Crescat recently attended the *Beaver Creek Precious Metals Summit* conference where Tavi had the chance to discuss the current market opportunity with Shane Lasley, publisher of *North of 60 Mining News*. Here is the [link](#).

For our new investors as well as existing ones who are not aware, we publish a live weekly video series on Youtube called "Crescat Gets Activist on Gold & Silver" at noon Mountain Time every Friday. The first part of these streams typically consists of Crescat's macro views and positioning presented by Kevin and Tavi. In the second half, Quinton goes deep into our activist metals portfolio companies including the geologic merits, value proposition, and discovery milestones for each company's main project. We encourage you to check out last week's episode [here](#).

For clients and prospective investors who like to delve into the stories behind our activist metals positions, every week, we clip the company-specific video sections of our live presentations and post them in reverse chronological order on our Activist Position Presentations page [here](#). There one can find a dropdown of our holdings and dig as deep as they like.

Crescat Strategies Net Return Estimates Through September 30, 2023

CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	CUMULATIVE SINCE INCEPTION	SEPTEMBER	YTD	2022	ANNUALIZED TRAILING				SINCE INCEPTION	YEARS SINCE INCEPTION
					1-YEAR	3-YEAR	5-YEAR	10-YEAR		
Global Macro Hedge Fund (Jan. 1, 2006)	428.2%	3.3%	-26.5%	31.6%	-27.6%	-1.1%	6.6%	5.7%	9.8%	17.8
Benchmark: HFRX Global Hedge Fund Index	18.8%	-0.8%	1.4%	-4.4%	1.6%	1.8%	1.9%	1.5%	1.0%	
Long/Short Hedge Fund (May 1, 2000)	295.5%	4.7%	-25.2%	7.4%	-26.2%	-5.0%	5.1%	4.0%	6.0%	23.4
Benchmark: HFRX Equity Hedge Index	81.2%	-0.8%	3.2%	-3.2%	4.9%	6.5%	3.5%	2.9%	2.6%	
Precious Metals Hedge Fund (August 1, 2020)	135.9%	7.6%	-3.1%	-19.5%	-3.3%	10.3%	-	-	31.2%	3.2
Benchmark: Philadelphia Gold and Silver Index	-26.6%	-8.6%	-9.8%	-6.9%	8.6%	-7.5%			-9.3%	
Large Cap SMA (Jan. 1, 1999)	841.1%	-3.4%	4.9%	-3.5%	14.8%	0.4%	5.9%	7.4%	9.5%	24.8
Benchmark: S&P 500 Index	453.7%	-4.8%	13.1%	18.2%	21.7%	10.2%	9.9%	11.9%	7.2%	
Precious Metals SMA (June 1, 2019)	73.0%	-9.2%	-12.0%	-31.0%	-14.2%	-10.2%	-	-	13.5%	4.3
Benchmark: Philadelphia Gold and Silver Index	63.6%	-8.6%	-9.8%	-6.9%	8.6%	-7.5%			12.0%	

Performance data represents past performance, and past performance does not guarantee future results. Performance data is subject to revision following each monthly reconciliation and/or annual audit. Historical net returns reflect the performance of an investor who invested from inception and is eligible to participate in new issues. Net returns reflect the reinvestment of dividends and earnings and the deduction of all fees and expenses (including a management fee and incentive allocation, where applicable). Individual performance may be lower or higher than the performance data presented. The performance of Crescat's private funds may not be directly comparable to the performance of other private or registered funds. The currency used to express performance is U.S. dollars. Investors may obtain the most current performance data and private offering memorandum for Crescat's private funds by emailing a request to info@crescat.net.

This has been just a brief performance and positioning update. We plan to have a more extensive research letter out later this month. If you are interested in learning more about Crescat, including potentially becoming a client, please reach out to Marek and/or Linda whose contact details are below.

Sincerely,

Kevin C. Smith, CFA
Founding Member & Chief Investment Officer

Tavi Costa
Member & Macro Strategist

For more information including how to invest, please contact:

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This presentation is not an offer to sell securities of any investment fund or a solicitation of offers to buy any such securities. Securities of a fund managed by Crescat may be offered to selected qualified investors only by means of a complete offering memorandum and related subscription materials which contain significant additional information about the terms of an investment in the Fund and which supersedes information herein in its entirety. Any decision to invest must be based solely upon the information set forth in the Offering Documents, regardless of any information investors may have been otherwise furnished, and should be made after reviewing such Offering Documents, conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Fund.

Risks of Investment Securities: Diversity in holdings is an important aspect of risk management, and CPM works to maintain a variety of themes and equity types to capitalize on trends and abate risk. CPM invests in a wide range of securities depending on its strategies, as described above, including but not limited to long equities, short equities, mutual funds, ETFs, commodities, commodity futures contracts, currency futures contracts, fixed income futures contracts, private placements, precious metals, and options on equities, bonds and futures contracts. The investment portfolios advised or sub-advised by CPM are not guaranteed by any agency or program of the U.S. or any foreign government or by any other person or entity. The types of securities CPM buys and sells for clients could lose money over any timeframe. CPM's investment strategies are intended primarily for long-term investors who hold their investments for substantial periods of time. Prospective clients and investors should consider their investment goals, time horizon, and risk tolerance before investing in CPM's strategies and should not rely on CPM's strategies as a complete investment program for all of their investable assets. Of note, in cases where CPM pursues an activist investment strategy by way of control or ownership, there may be additional restrictions on resale including, for example, volume limitations on shares sold. When CPM's private investment funds or SMA

strategies invest in the precious metals mining industry, there are particular risks related to changes in the price of gold, silver and platinum group metals. In addition, changing inflation expectations, currency fluctuations, speculation, and industrial, government and global consumer demand; disruptions in the supply chain; rising product and regulatory compliance costs; adverse effects from government and environmental regulation; world events and economic conditions; market, economic and political risks of the countries where precious metals companies are located or do business; thin capitalization and limited product lines, markets, financial resources or personnel; and the possible illiquidity of certain of the securities; each may adversely affect companies engaged in precious metals mining related businesses. Depending on market conditions, precious metals mining companies may dramatically outperform or underperform more traditional equity investments. In addition, as many of CPM's positions in the precious metals mining industry are made through offshore private placements in reliance on exemption from SEC registration, there may be U.S. and foreign resale restrictions applicable to such securities, including but not limited to, minimum holding periods, which can result in discounts being applied to the valuation of such securities. In addition, the fair value of CPM's positions in private placements cannot always be determined using readily observable inputs such as market prices, and therefore may require the use of unobservable inputs which can pose unique valuation risks. Furthermore, CPM's private investment funds and SMA strategies may invest in stocks of companies with smaller market capitalizations. Small- and medium-capitalization companies may be of a less seasoned nature or have securities that may be traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies. In addition to being subject to the general market risk that stock prices may decline over short or even extended periods, such companies may not be well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. Additionally, stocks of such companies may be more volatile in price and have lower trading volumes than larger capitalized companies, which results in greater sensitivity of the market price to individual transactions. CPM has broad discretion to alter any of the SMA or private investment fund's investment strategies without prior approval by, or notice to, CPM clients or fund investors, provided such changes are not material.

Benchmarks

HFRX GLOBAL HEDGE FUND INDEX. The HFRX Global Hedge Fund Index represents a broad universe of hedge funds with the capability to trade a range of asset classes and investment strategies across the global securities markets. The index is weighted based on the distribution of assets in the global hedge fund industry. It is a tradeable index of actual hedge funds. It is a suitable benchmark for the Crescat Global Macro private fund which has also traded in multiple asset classes and applied a multi-disciplinary investment process since inception.

HFRX EQUITY HEDGE INDEX. The HFRX Equity Hedge Index represents an investable index of hedge funds that trade both long and short in global equity securities. Managers of funds in the index employ a wide variety of investment processes. They may be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding periods, concentrations of market capitalizations and valuation ranges of typical portfolios. It is a suitable benchmark for the Crescat Long/Short private fund, which has also been predominantly composed of long and short global equities since inception.

PHILADELPHIA STOCK EXCHANGE GOLD AND SILVER INDEX. The Philadelphia Stock Exchange Gold and Silver Index is the longest running index of global precious metals mining stocks. It is a diversified, capitalization-weighted index of the leading companies involved in gold and silver mining. It is a suitable benchmark for the Crescat Precious Metals private fund and the Crescat Precious Metals SMA strategy, which have also been predominately composed of precious metals mining companies involved in gold and silver mining since inception.

RUSSELL 1000 INDEX. The Russell 1000 Index is a market-cap weighted index of the 1,000 largest companies in US equity markets. It represents a broad scope of companies across all sectors of the economy. It is a commonly followed index among institutions. This index contains many of the same securities as the S&P 500 but is broader and includes some mid-cap companies. It is a suitable benchmark for the Crescat Large Cap SMA strategy, which has predominantly held and traded similar securities since inception.

S&P 500 INDEX. The S&P 500 Index is perhaps the most followed stock market index. It is considered representative of the U.S. stock market at large. It is a market cap-weighted index of the 500 largest and most liquid companies listed on the NYSE and NASDAQ exchanges. While the companies are U.S. based, most of them have broad global operations. Therefore, the index is representative of the broad global economy. It is a suitable benchmark for the Crescat Global Macro and Crescat Long/Short private funds, and the Large Cap and Precious Metals SMA strategies, which have also traded extensively in large, highly liquid global equities through U.S.-listed securities, and in companies Crescat believes are on track to achieve that status. The S&P 500 Index is also used as a supplemental benchmark for the Crescat Precious Metals private fund and Precious Metals SMA strategy because one of the long-term goals of the precious metals strategy is low correlation to the S&P 500.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only. Reference to an index does not imply that the fund or separately managed account will achieve returns, volatility or other results similar to that index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking.

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 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. See the private offering memorandum for each Crescat hedge fund for complete information and risk factors.