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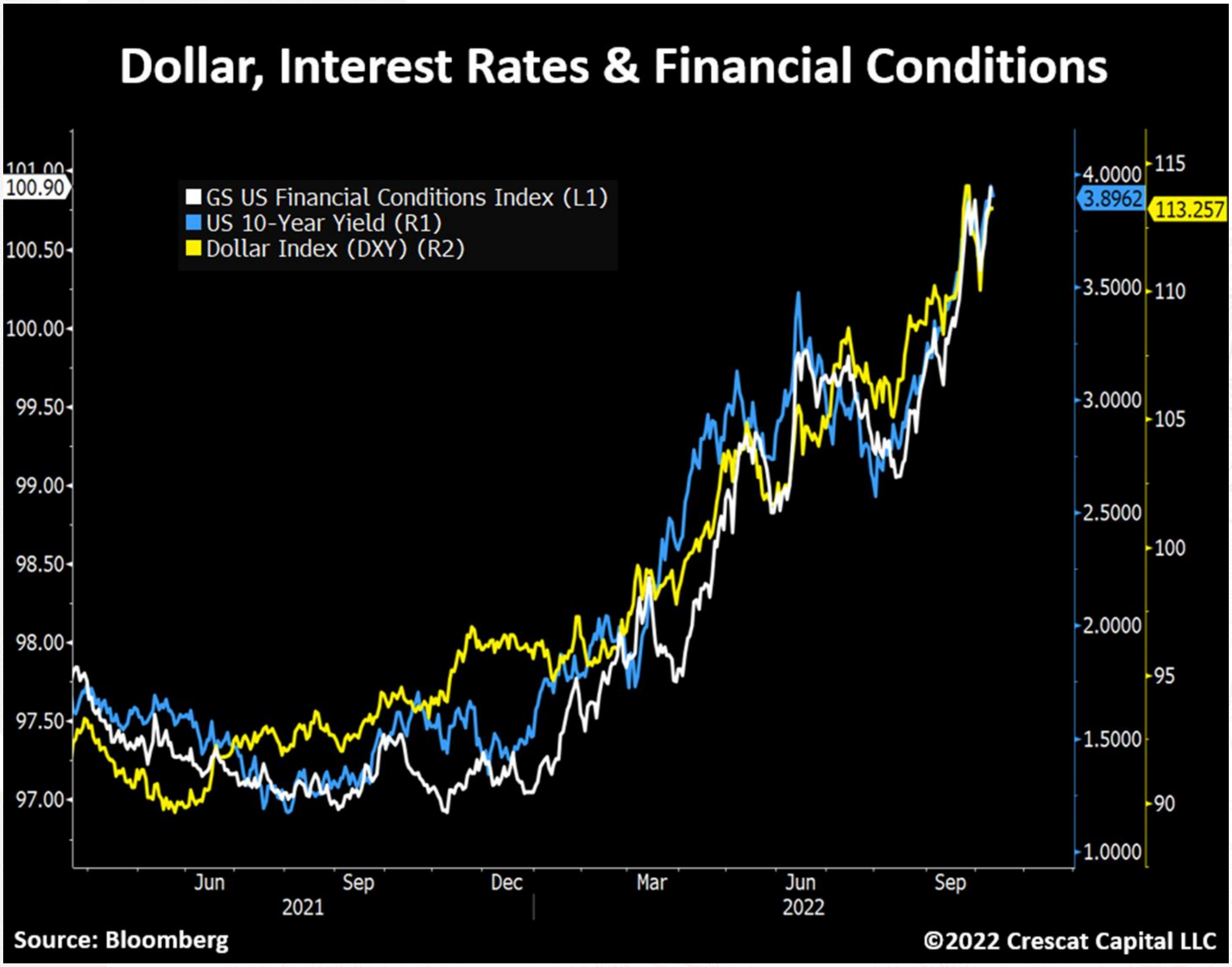
October 19, 2022

The Golden Era of Macro Investing

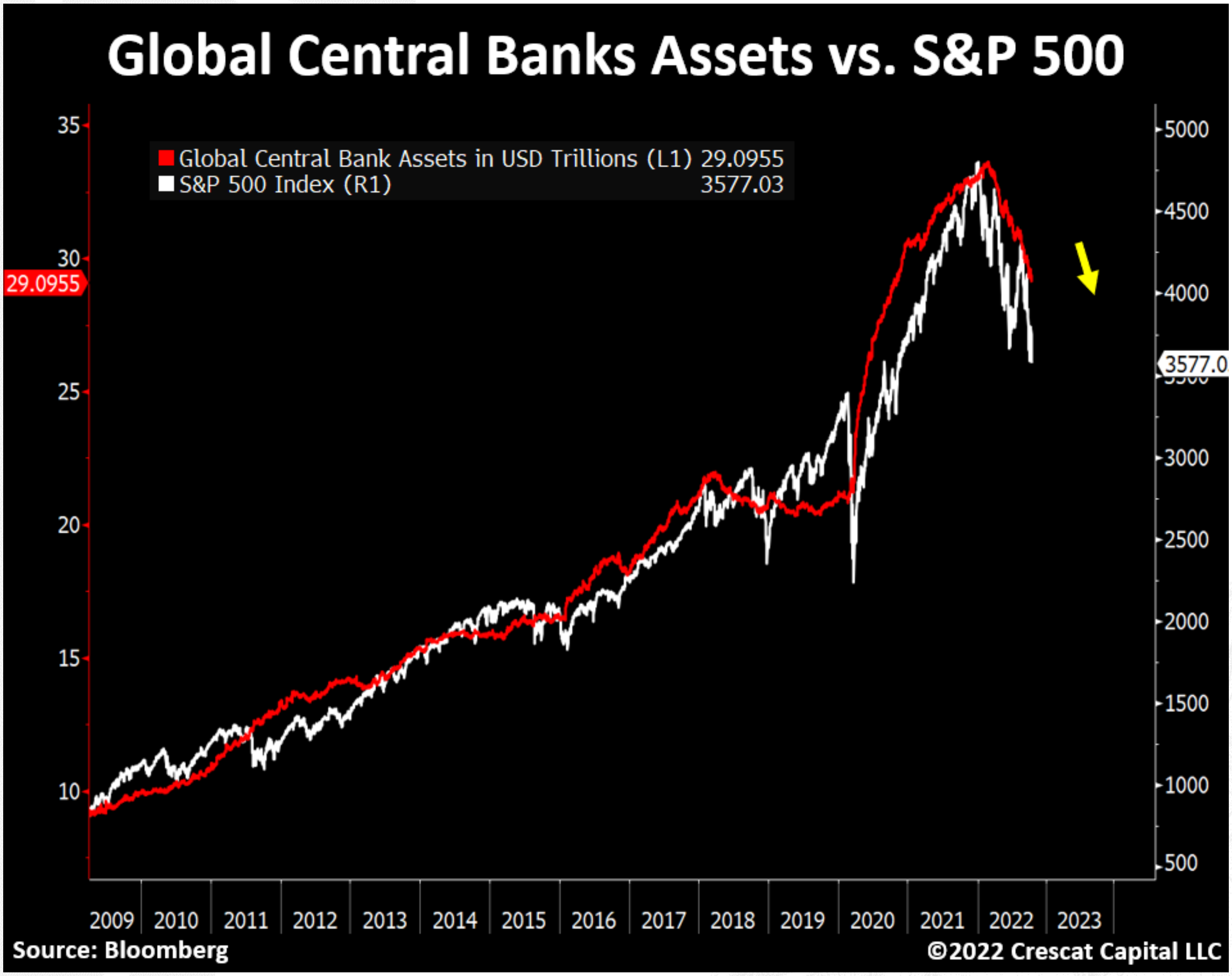
Dear Investors:

The wheels are coming off the global economy. The painful increase in cost of debt in combination with the relentless appreciation of the US dollar and tightening of monetary conditions have exposed long-standing macro imbalances. These forces are interconnected, self-reinforcing, and completely unsustainable over the long run. Ultimately, policy makers must restore a financially repressive environment. Allowing inflation to stay at persistently higher levels for longer remains the path of least resistance to deleverage the extreme debt-to-GDP overhang. This macro scenario will likely create one of the greatest setups in history to favor tangible assets over still-overvalued technology growth stocks, fixed-income investments, and passive investment strategies that dominated in the last cycle. The golden era for active, fundamental-value, and macro-oriented investing has returned.



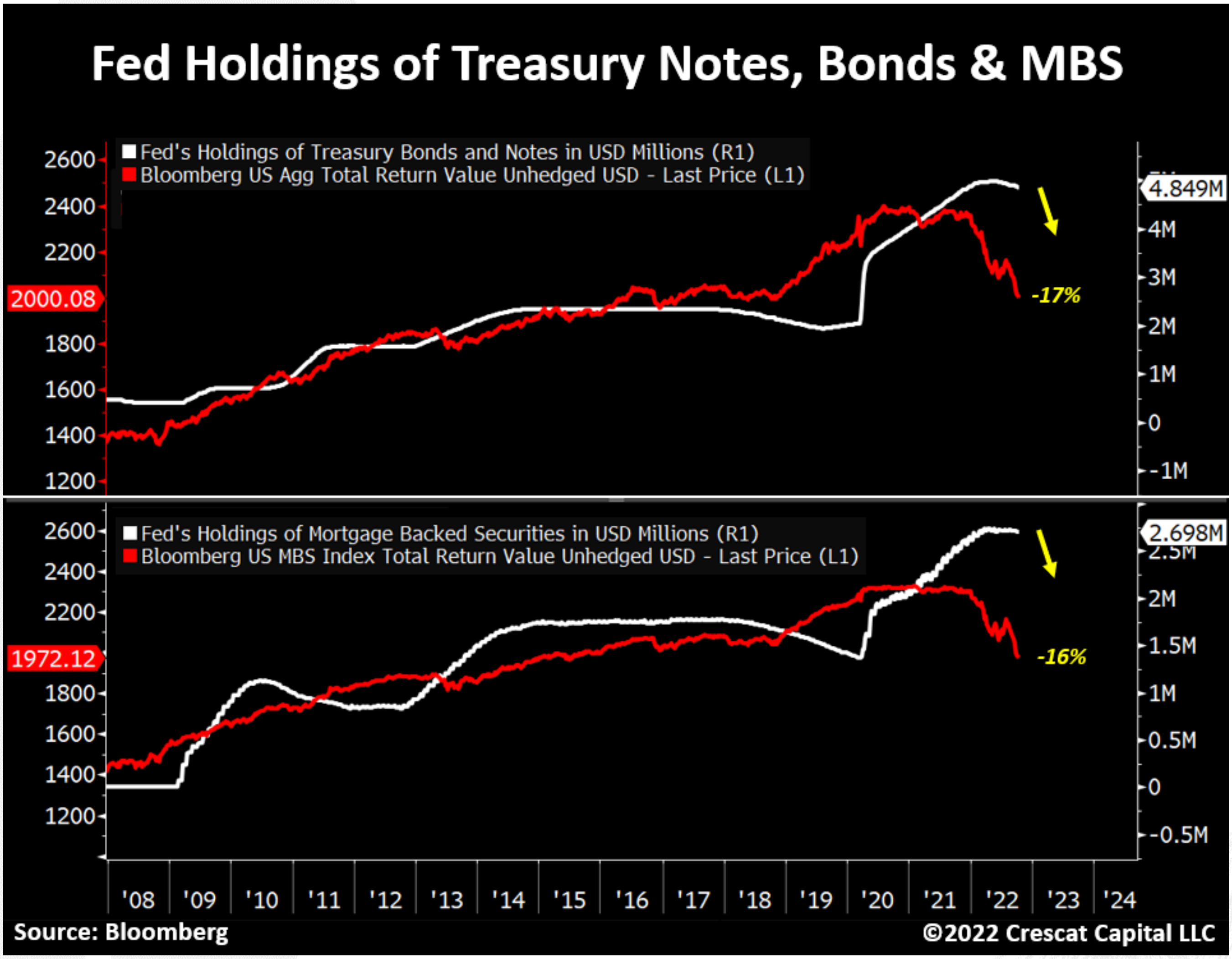
Major Liquidity Withdrawal

Given how the economy remains highly dependent on easy-money policies, the current withdrawal of central bank liquidity has created one of the most restrictive financial conditions in history. As shown below, the strong correlation between equity markets and global central bank assets is undeniable. The issue with this chart, however, is that it assumes that the Fed still holds close to $9 trillion in assets in its balance sheet, and that is grossly overstated.



Fed's Balance Sheet Losses

As a result of the collapse in the fixed-income market, the Fed's balance sheet has shrunk massively on a mark-to-market basis. Among Treasury notes, bonds, inflation-indexed and mortgage-backed securities, we calculate that the valuation of the Fed's assets has declined by almost $1.5 trillion.



Bottom at Peak Tech Bubble Valuations?

While less seasoned investors continue to view the recent 35% decline in Nasdaq as a buying opportunity, the index still trades at 33 times its aggregate annual earnings. The US total equity market cap relative to its GDP has come down, but it is just re-testing the highs of the PEAK of the technology bubble in 2000.

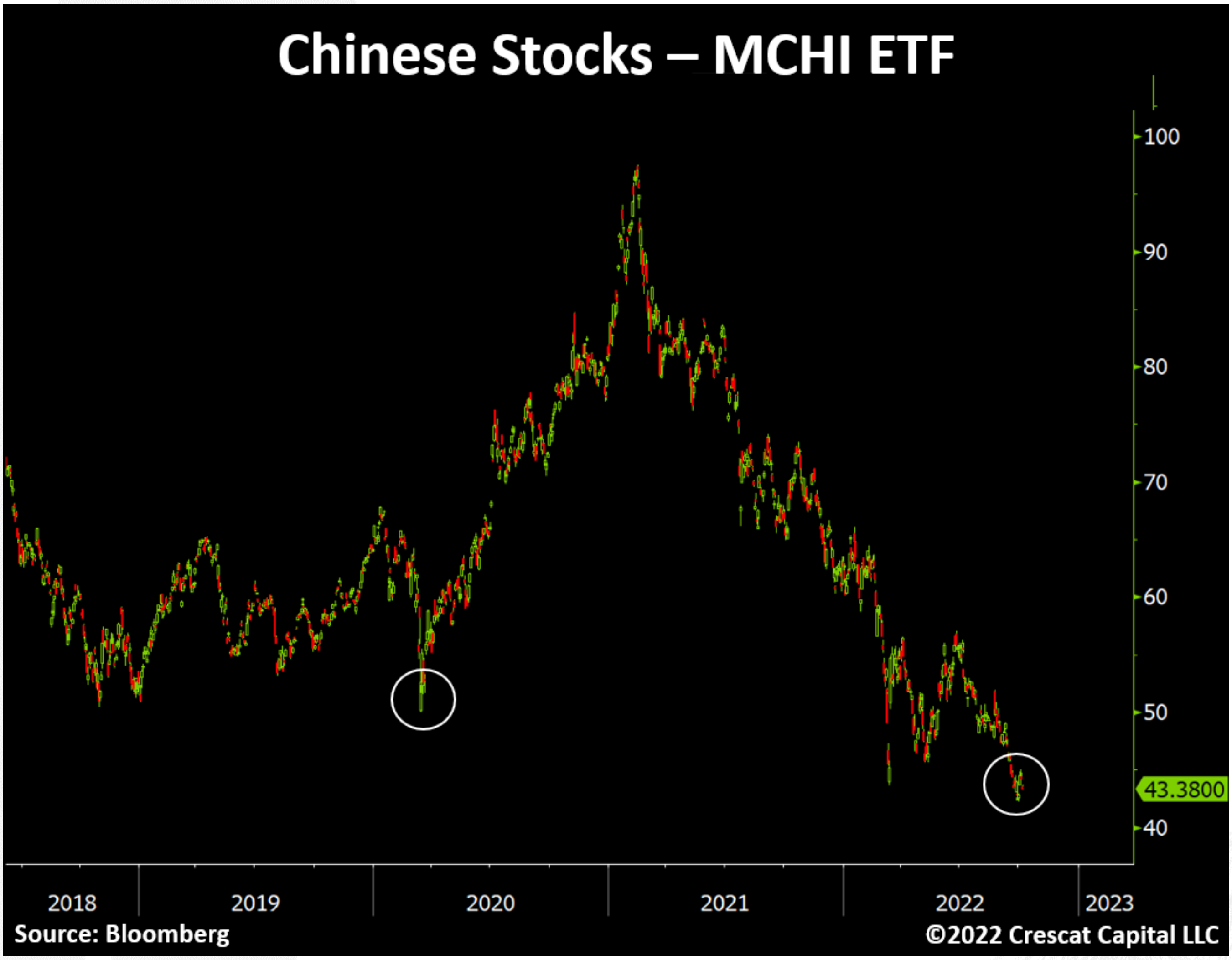
The Roadmap for the Overall Market

The dismal performance of the darlings of the last bull market is likely to serve as an important roadmap for the overall market. Many of the stocks and other assets that led the way to the most recent peak are also the ones that are already below or very close to their March 2020 Covid-low price levels.

Let us run through some of these charts:

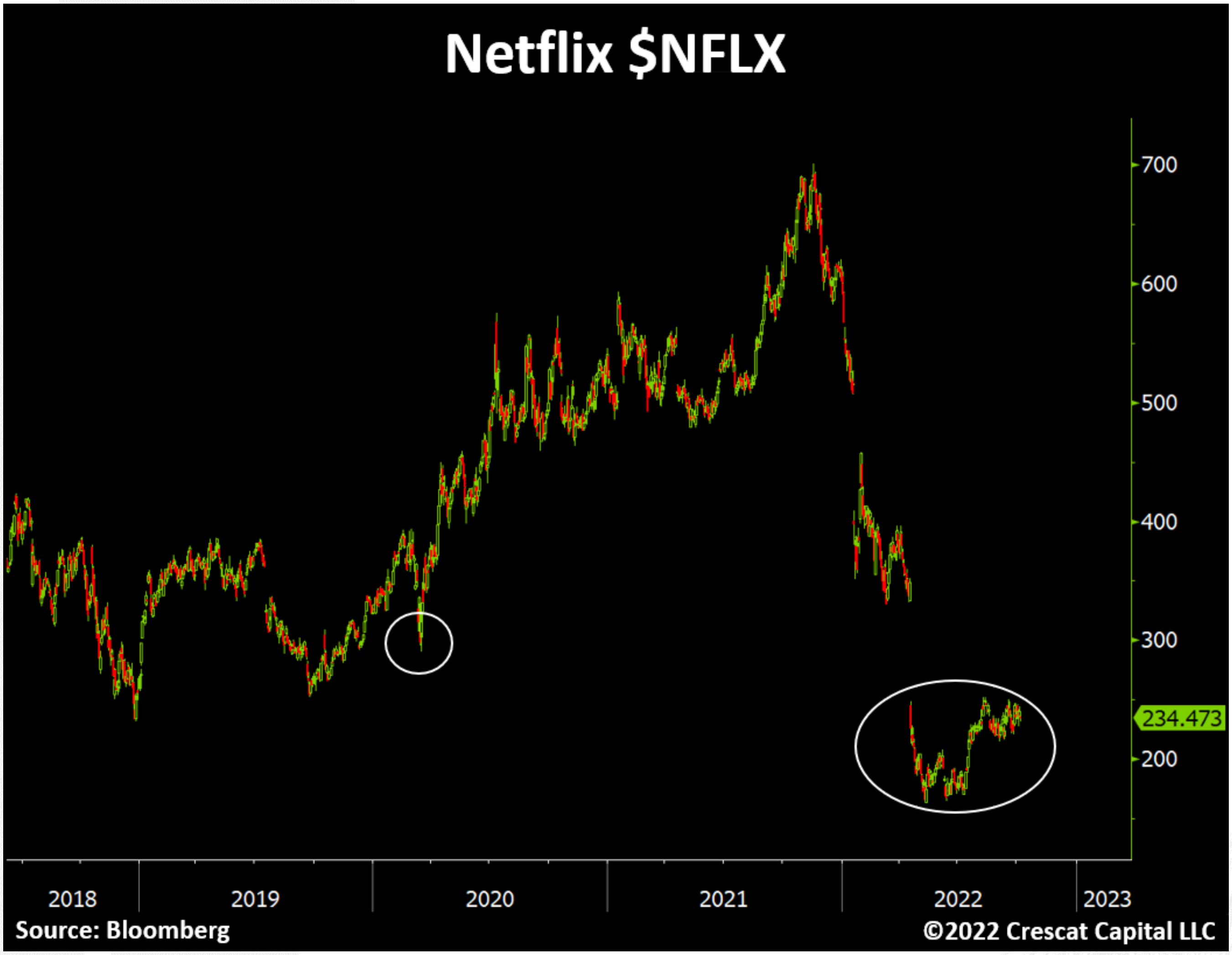
Venture capital valuations, arguably one of the most successful investment approaches of the prior decades, have collapsed over 60%, and now stand near their March 2020 lows.

After performing exceptionally well coming out of the 2020 recession, Chinese equities are another canary in the coal mine. At their peak, the Chinese government announced a major political crackdown on large technology companies. Since then, we have seen further issues develop, with the meltdown of its housing market and large property developers. The largest bank in the world, China Industrial and Commercial Bank, with close to $6 trillion in assets, is now down 52% from its peak. Other local banks are no different. We are experiencing the largest credit bubble in history now bursting, and Chinese stocks at 6-year lows are just a reflection of that problem.

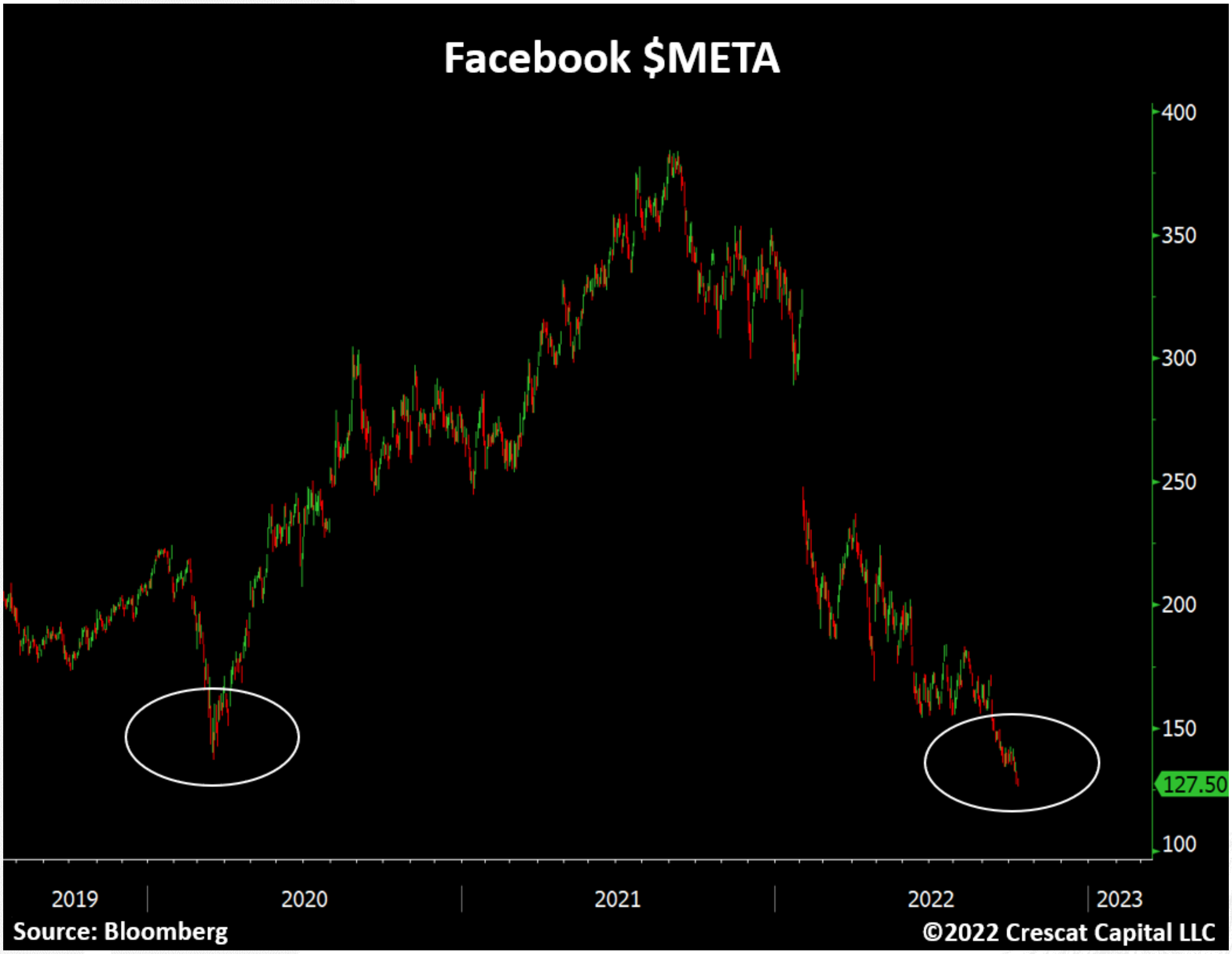


The ARK ETF is yet another popular investment vehicle that is now under severe pressure. After famously building a portfolio of mostly money-losing growth companies at absurd valuations, the ETF also peaked in February 2021 and it has declined almost 80% since then.

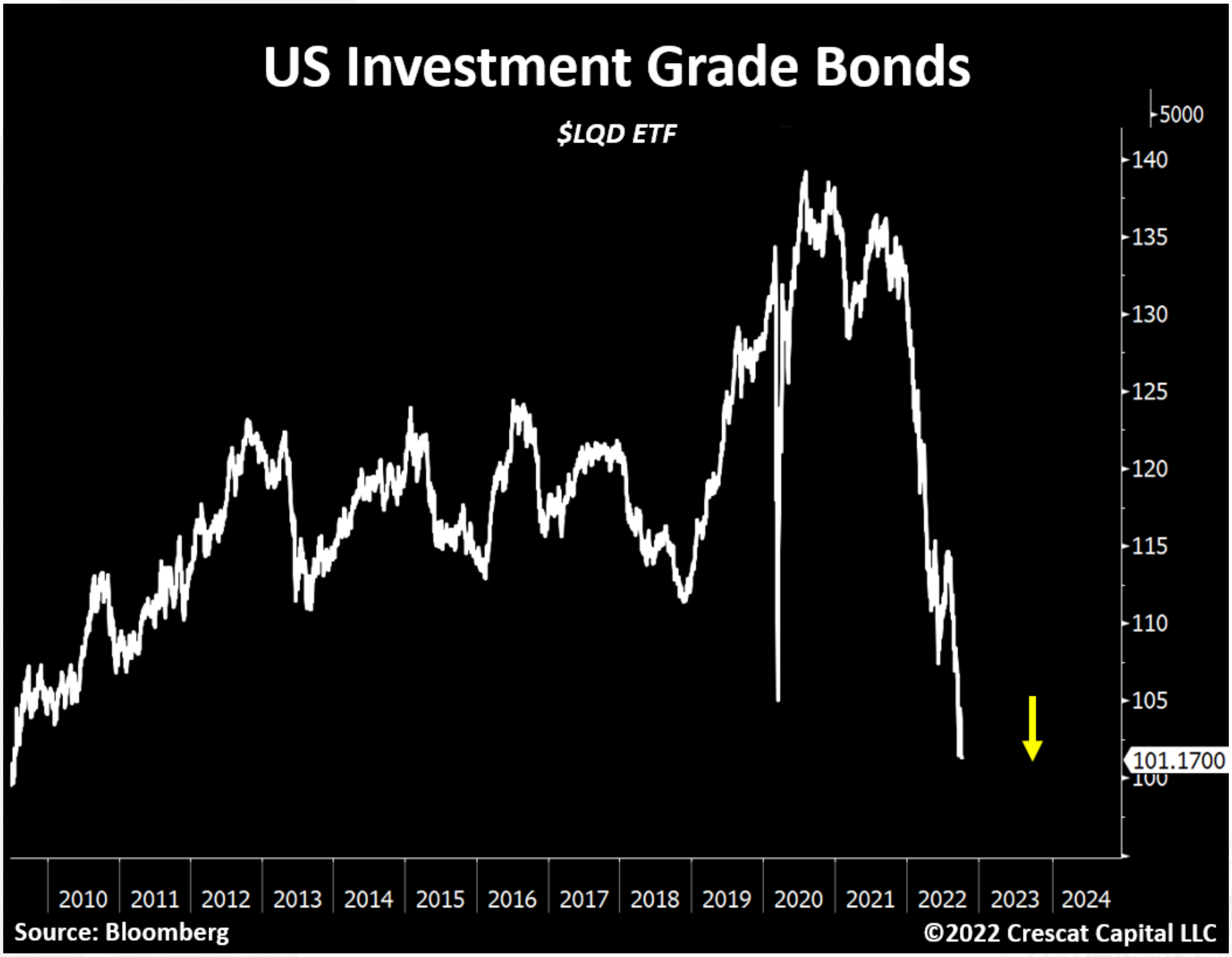
Netflix is also another classic case of a fast-moving FANG stock that has exhausted its business growth potential and finally had to face a hard reality. After disappointing in multiple earning releases, the stock never looked back from its November 2021 levels and it is down almost 65% since. We think that other FANG stocks, which continue to trade at historically elevated multiples of high-growth businesses, are likely headed in the same direction.



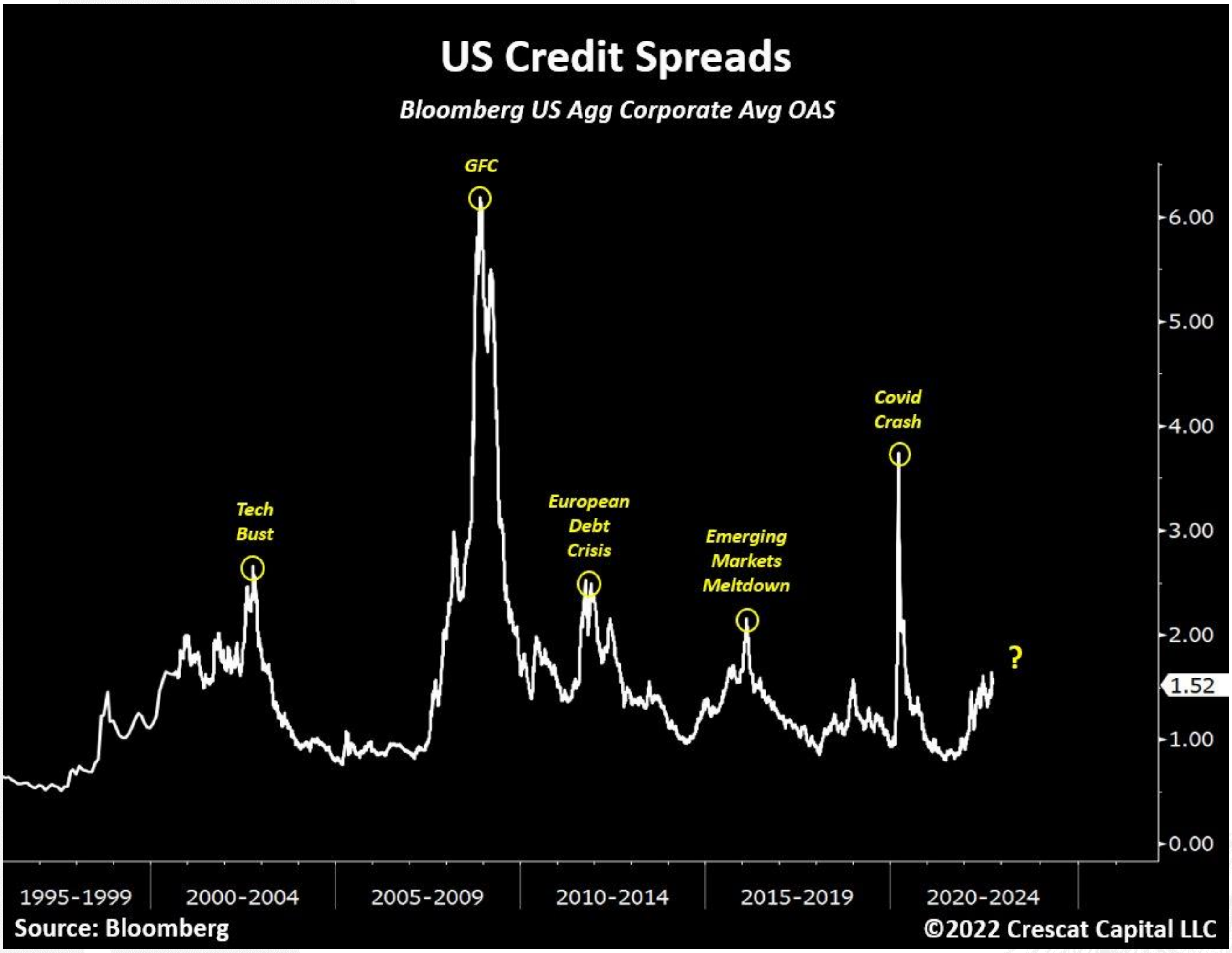
At even lower levels than its March 2020 lows, Meta has also done a similar round trip. Mega-cap companies can only grow so much and the issues with continuing to expand their businesses come as no surprise. As we have shown in prior letters, at the peak of the Technology bubble, for instance, the top 10 US technology companies by market cap were valued at 30% of nominal GDP. Two-and-a-half years later, they bottomed at 6%. At the beginning of this year, the largest 10 tech stocks reached 56% of GDP. While these stocks have come down year to date, collectively they are still valued higher than the comparable companies at the tech bubble top, so there is substantially more downside risk.



The collapse in investment-grade corporate bonds to below the March 2020 lows should also be noted. This is a part of the market that we have expressed our concerns about before. We have similar concerns in the corporate junk bond market that is still above the Covid lows. Until recently, troubles in corporate fixed-income markets have been masked by access to cheap credit. Now that access is freezing up. It is not the fact that the value of these bonds has collapsed to 2009 levels that surprise us. It is how this decline has been almost entirely caused by the Treasury move. Wait until default risk returns and credit spreads also widen. This is a looming problem for both the investment grade and high-yield markets.



Never have US stocks had a 30% drawdown while investment-grade credit spreads stayed sub 200 basis points according to the Bloomberg US Aggregate Corporate Bond Index. Until now. But that condition is not likely to last much longer. A blowout in corporate default risk is the next chapter to unfold.



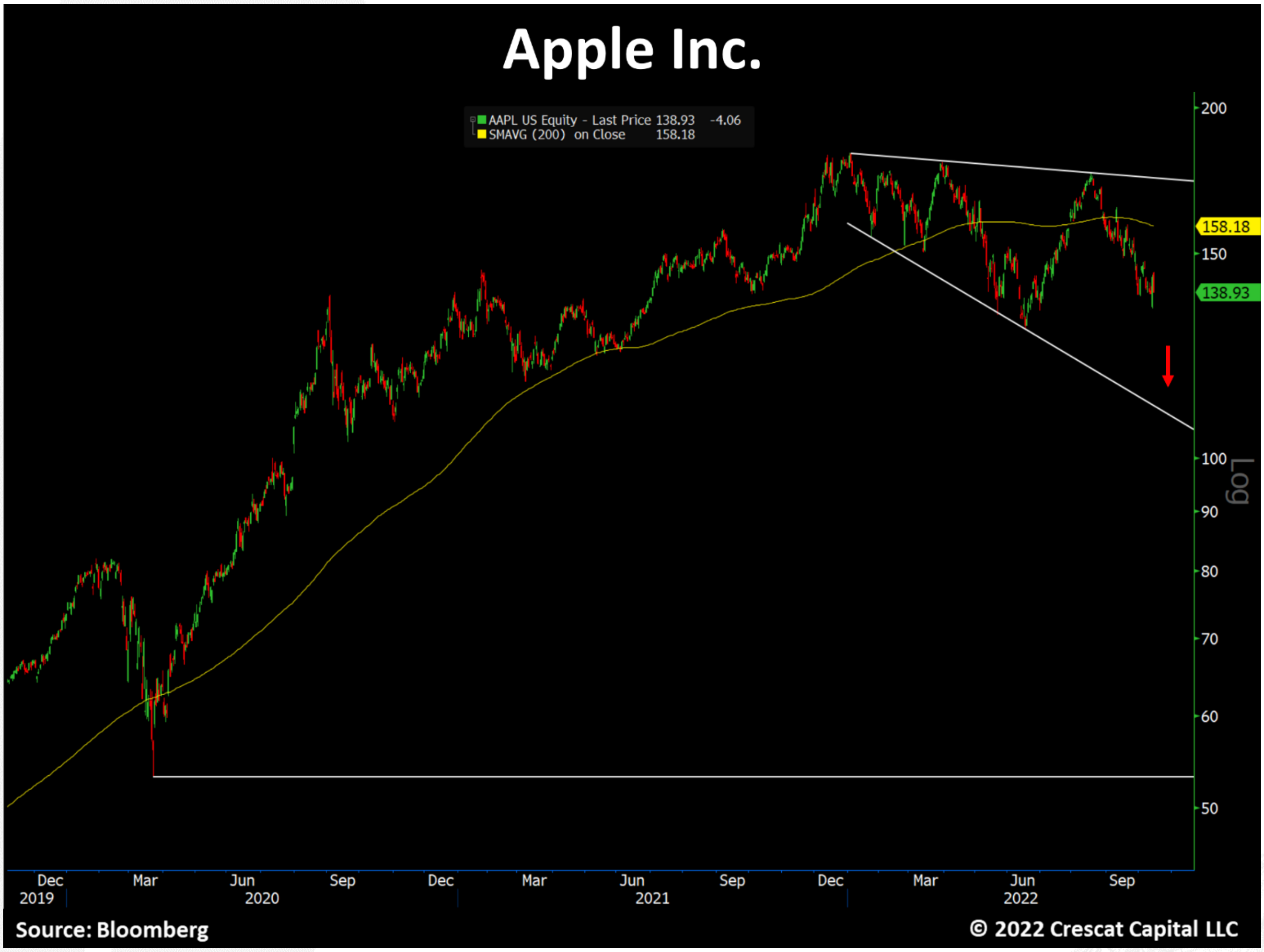
Software stocks were one of the largest beneficiaries of the prior investing cycle. While these are mostly profitable businesses with solid recurring revenue streams, these companies were trading at enterprise value-to-sales multiples that were almost twice what we saw at the peak of the technology bubble in 2000. The meltdown of these stocks started in early 2021, and many of them are well below their Covid lows. DocuSign is a perfect case. After the company put out disappointing earnings, the stock declined 40% in one day and continued to drag lower.

There are plenty of other examples of companies showing similar patterns, from Covid darlings like Zoom Communications, Peloton, DoorDash, Robinhood Markets, and Carvana, to even junk bonds, Treasuries, global bonds, and even most fiat currencies from developed economies. It is hard to believe that with all these prototypes, the overall market, including the mega-cap techs still propping it up, will not follow suit. If so, the S&P 500 is on a path to a 40% further decline from its current levels.

The Nasdaq Composite also has the same 40% downside potential from today's levels.

Let us not forget what was on the cover of Barron's in August 2021: "The Unstoppable Rise of Big Tech". As is often the case, making the magazine cover is a curse. Barron's nailed the top.

So where does that leave us today with respect to our roadmap to the March 2020 lows laid out above? Let's look at the three fundamentally worst scoring and most overvalued stocks according to Crescat's equity model today from the Barron's cover and consult the roadmap for these still highly popular and widely-owned mega-cap tech stocks:


Apple Inc.
AAPL US Equity - Last Price 138.93 -4.06
SMAVG (200) on Close 158.18
200
158.18
150
138.93
100
90
80
70
60
50
Log
Dec
2019
Mar
Jun
2020
Sep
Dec
Mar
Jun
2021
Sep
Dec
Mar
Jun
2022
Sep
Source: Bloomberg
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Amazon.com Inc.
AMZN US Equity - Last Price 107.695 -4.835
SMAVG (200) on Close 134.573
200
150
134.573
Log
107.695
100
90
80
Dec
Mar
Jun
2020
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Source: Bloomberg
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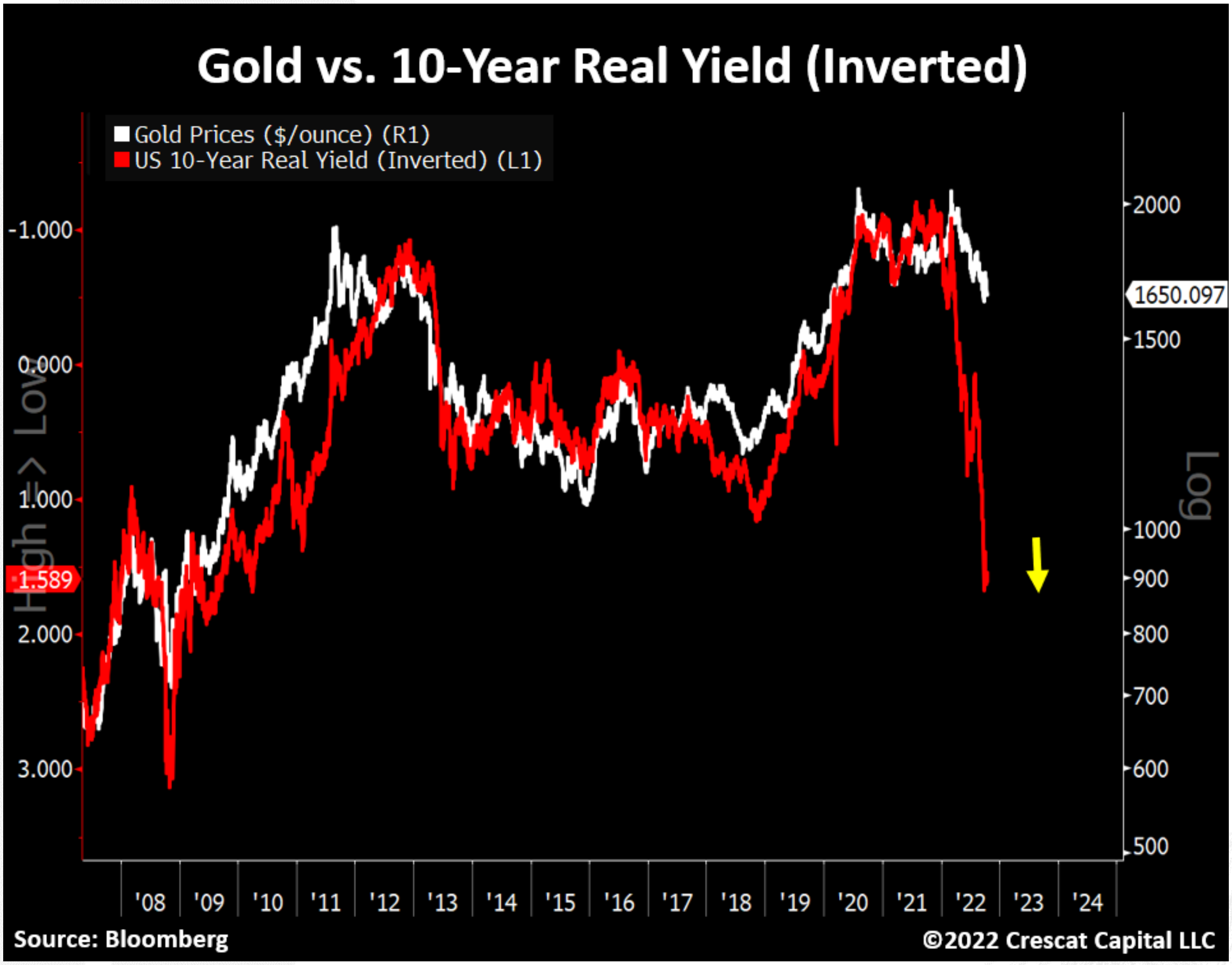
Notable Changes in Market Correlation

The outsized volatility in the fixed-income market of most developed economies is creating a reflexive mechanism that is causing large bond investors to re-think their positions. What used to behave as a defensive asset during times of turmoil has now become the worst performer in many portfolios. As a result of large investors being pressured to re-adjust their positions, this is having a major impact on asset correlations. For that, look no further than the recent collapse in global bonds while gold continues to hold its ground. After decades of being massively under-allocated among large pension funds, hedge funds, and even central banks, gold is likely to emerge again as an alternative haven asset that protects against turmoil, but most importantly, against the political constraints that policy makers are facing, forcing inflation to run hotter for longer. We are at the onset of an inflationary decade and gold is likely to play a key role in portfolio positioning.

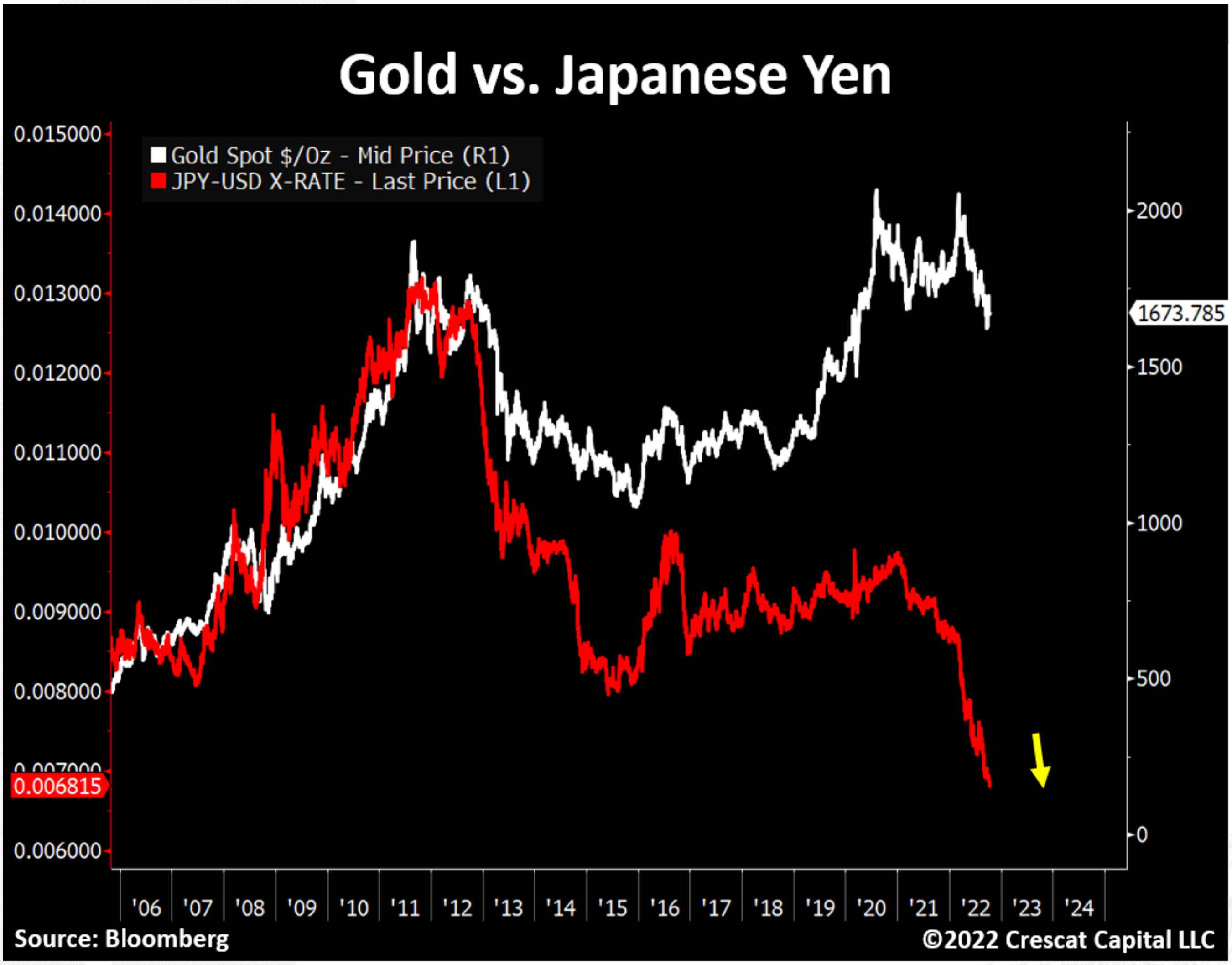
TIPs, Inflation Hedge?

The chart below may look like the one above, but these are quite different securities. We are now looking at the divergence between gold and US 10-year real yields. This is another notable two-decade break in asset correlation. Treasury Inflation-Protected securities did exactly the opposite of what their name suggests and what they were originally designed to hedge against. These instruments just had their worst trailing twelve-month performance in history.



Gold vs. The "Safest" Currency on the Planet

The Japanese Yen, long-time perceived as the safest currency on the planet, has been massively diverging from gold prices. While the Fed continues to focus on price stability at the cost of its Treasury market, Japan has been forced to do the complete opposite. Given the size of its debt imbalances, the BoJ was hamstrung to suppress its cost of debt by pegging the 10-year nominal yields at 0.25%, and consequently, its currency severely devalued against gold and the US dollar. We believe their current policy stance cannot be a long-term solution. We recently initiated a short on the 10-year Japanese Government Bonds in our Global Macro Fund and have been short the Japanese Yen.



Bearish Sentiment Alert

Although gold continues to significantly outperform other defensive assets, we are seeing clear signs of extreme bearish sentiment towards it, which tends to be exceptionally bullish signals for precious metals investors over the short and medium term. Just last month, the Wall Street Journal had the following print on the front page of its business section stating: "Gold Loses Status as Haven".

Yes, the performance of gold over the last 2 years has been disappointing, but it came on the back of a strong 5-year upward move that started in 2015, and the metal more than doubled in price. After breaking out to new highs, gold has been hovering around its 2011 high levels and looks to be ready for another steep appreciation as the Fed will sooner be forced to back away from its extreme hawkish stance.

Inevitably, policy makers will be forced to reinstate financially repressive conditions allowing inflation to run hot for the sake of nominal GDP growth while suppressing interest rates. Monetary tightening works with a lag. At some point, the desire to alleviate economic pain caused by a collapse in financial asset prices will become greater than the will to fight inflation. Then, the Fed will be forced to back away while consumer prices are likely to stay elevated. In our view, that will be the time when gold prices will surge to much higher levels than what we have seen historically. We are not too far from this moment.

BUSINESS & FINANCE

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S&P 3899.89 ▲ 0.69% S&P FIN ▲ 1.12% S&P IT ▲ 0.82% DJ TRANS ▲ 1.95% WSJ $ IDX ▼ 0.004% 2-YR. TREAS. yield 3.946% NIKKEI (Midday) 27684.35 ▲ 0.42% See more at WSJ.com/Markets

Gold Loses Status as Haven

Metal has lost 8.2% this year as nervous investors turn to Treasury bonds

By Hardika Singh

Gold futures price

$2,050 a troy ounce

Monday $1,678.20

Jan. 2022 Sept.

Annual performance

Gold futures — S&P 500

Through Monday –8.2%

2002 '05 '10 '15 '20 '22

Weekly net flows into precious metals mutual- and exchange-traded funds

$2 billion

Week ended Sept. 14 –$742.6M

Feb. 2021 '22

Note: Gold data show most-actively traded contract.
Sources: FactSet (gold price; gold and S&P 500 performance); Refinitiv Lipper (flows)

Investors expected sticky inflation to lift gold prices this year. Instead, the opposite happened.

The most actively traded gold contract is on pace to decline for six consecutive months, with a loss of 14% through that period so far. That is a significant drop for an asset that is supposed to be a haven and marks the longest losing streak since September 2018, when prices fell 9.9% over six months.

Gold is prized by investors for its usual stability during times of turmoil. Prices jumped near records earlier this year, shortly after Russia's invasion of Ukraine upended markets for stocks and commodities. In early March, gold settled at a 2022 high of $2,069.40 a troy ounce. Now, it is down 8.2% so far this year, on pace for its worst annual performance since 2015.

Stocks are trading lower than they were in early March. The war has dragged on and concerns about inflation have only intensified. But the haven metal has been stuck in a trading range of about $1,650 to $1,800 since June. Gold fell on Monday, down 0.3% to $1,678.20 a troy ounce.

The volatility is another example of how the Federal Reserve's aggressive rate-raising campaign is shaking up all corners of financial markets. Last week's report that inflation remains stubbornly high all but cemented expectations that the interest-rate increases will continue. The Fed is expected to announce another big rate increase when it meets this week.

Why does that matter for gold? Nervous investors who want safe, boring assets when the stock market is a mess don't favor just gold. Many of them also like to scoop up Treasury bonds.

"The outlook for gold remains vulnerable until the Fed stops hiking rates," said Tai Wong, a senior trader at Heraeus Precious Metals in New York.

Treasury yields tend to move in tandem with investors' expectations for the Fed's benchmark rate, so investors these days can get relatively big returns on government bonds. Last week, the yield on the two-year Treasury hit its highest level since 2007. That, plus the fact that Treasurys, unlike gold, offer regular payouts, has pushed many risk-averse investors from gold bug to bond buyer.

JPMorgan Chase & Co. analysts forecast that gold prices will keep falling, averaging $1,650 a troy ounce in the fourth quarter. That reflects a growing belief that the Fed is in no position to ease its foot off the rate-increasing brakes.

"It's not a light switch that goes on and off. It's a dimmer," said Richard Fisher, former president of the Federal Reserve Bank of Dallas, during a talk hosted by CME Group on Wednesday.

The dollar, another haven, is further complicating matters. Investors looking for a safe bet have also been snapping up the U.S. currency, pushing it near 20-year highs. That has made gold more expensive for overseas buyers, damping their demand.

The pain is showing up

Please turn to page B11

Ford's Supplier Costs Mount, Eat Into Profit

By Nora Eckert

Ford Motor Co. on Monday warned third-quarter earnings would be affected by about $1 billion in higher-than-anticipated supplier costs and parts shortages that have led to unfinished vehicles it couldn't sell during the period.

The Dearborn, Mich., auto maker reaffirmed its year-end guidance for 2022, projecting adjusted operating results for the third quarter would fall between $1.4 billion and $1.7 billion.

Ford's stock was down more than 4% in after-hours trading.

Ford expects to have about 40,000 to 45,000 vehicles in inventory at the end of the quarter that are awaiting parts and can't be delivered to dealerships, a figure that is higher than expected.

Those vehicles, many of them higher margin trucks and SUVs, are expected to be completed and sold in the fourth quarter, the company said.

Additionally, based on recent negotiations with suppliers, Ford said it is paying more for parts and materials to account for the effects of inflation.

The higher payments added about $1 billion in un-

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VW's Porsche Listing Seeks $9.4 Billion

By William Boston

BERLIN—Porsche AG shares are set to begin trading Sept. 29 in one of the largest European public listings in years, raising as much as $9.4 billion and valuing the sports car maker at as much as $78 billion.

Porsche's parent, German car giant **Volkswagen AG**, priced the public offering of preferred stock in line with average analyst expectations. Combined with a private sale of Porsche ordinary stock to VW's largest investor, Porsche Automobil Holding SE, the sale of 25% of Porsche could raise €19.5 billion for VW, equivalent to $19.5 billion.

VW said it plans to distribute nearly half the gross proceeds from the combined Porsche share sale to its shareholders in a special dividend.

The listing could test investor appetite for further offerings in a market that has been weighed down by soaring inflation, the war in Ukraine and fears of a global recession.

VW sought to walk a line between maximizing proceeds and ensuring a successful IPO in difficult market conditions, analysts said. The price range for Porsche's preferred shares between €76.50 and €82.50, is largely in line with investor expectations.

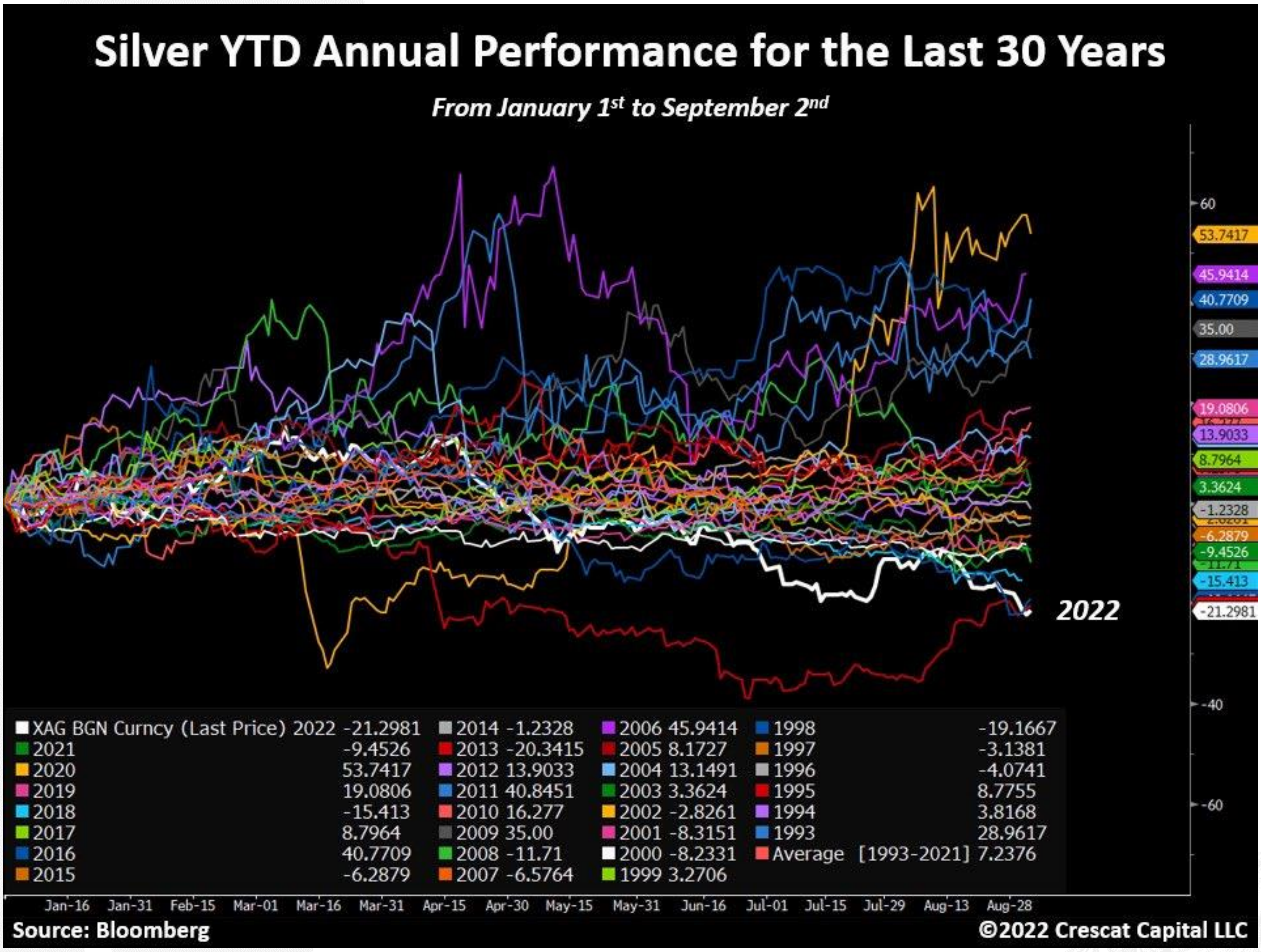
In a reference to Porsche's iconic 911 sports car model, VW created 911 million Porsche shares, divided evenly between nonvoting preferred shares and ordinary shares with voting rights.

VW is selling 25% of Porsche preferred shares, or about

Please turn to page B2

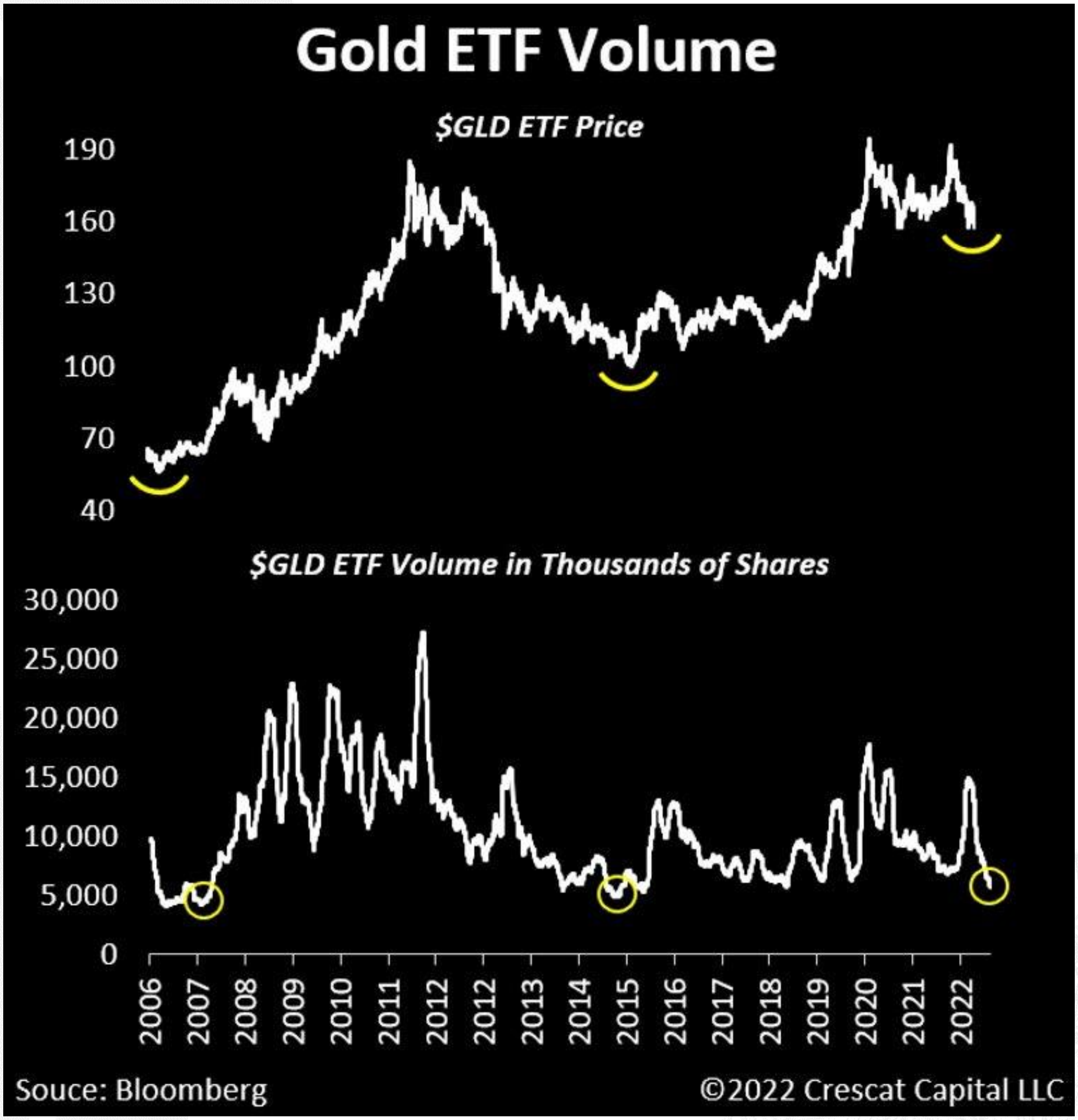
Silver: Cheapest Metal on Earth

Silver is having its worst annual performance in 30 years. We believe the worst is behind us. The fundamental and macro thesis for owning the metal remains the strongest in many decades. After a couple of strong years of performance preceding the 2020 recession and the inflationary wave that we have seen since silver has been consolidating before a larger move to re-test its prior highs at $50/oz. We continue to accumulate assets with silver exposure and remain very optimistic about what is likely ahead. This metal is one of the few natural resources that remain incredibly constrained supply-wise while being a monetary asset that is historically undervalued and an important hedge against long-term inflationary pressures.



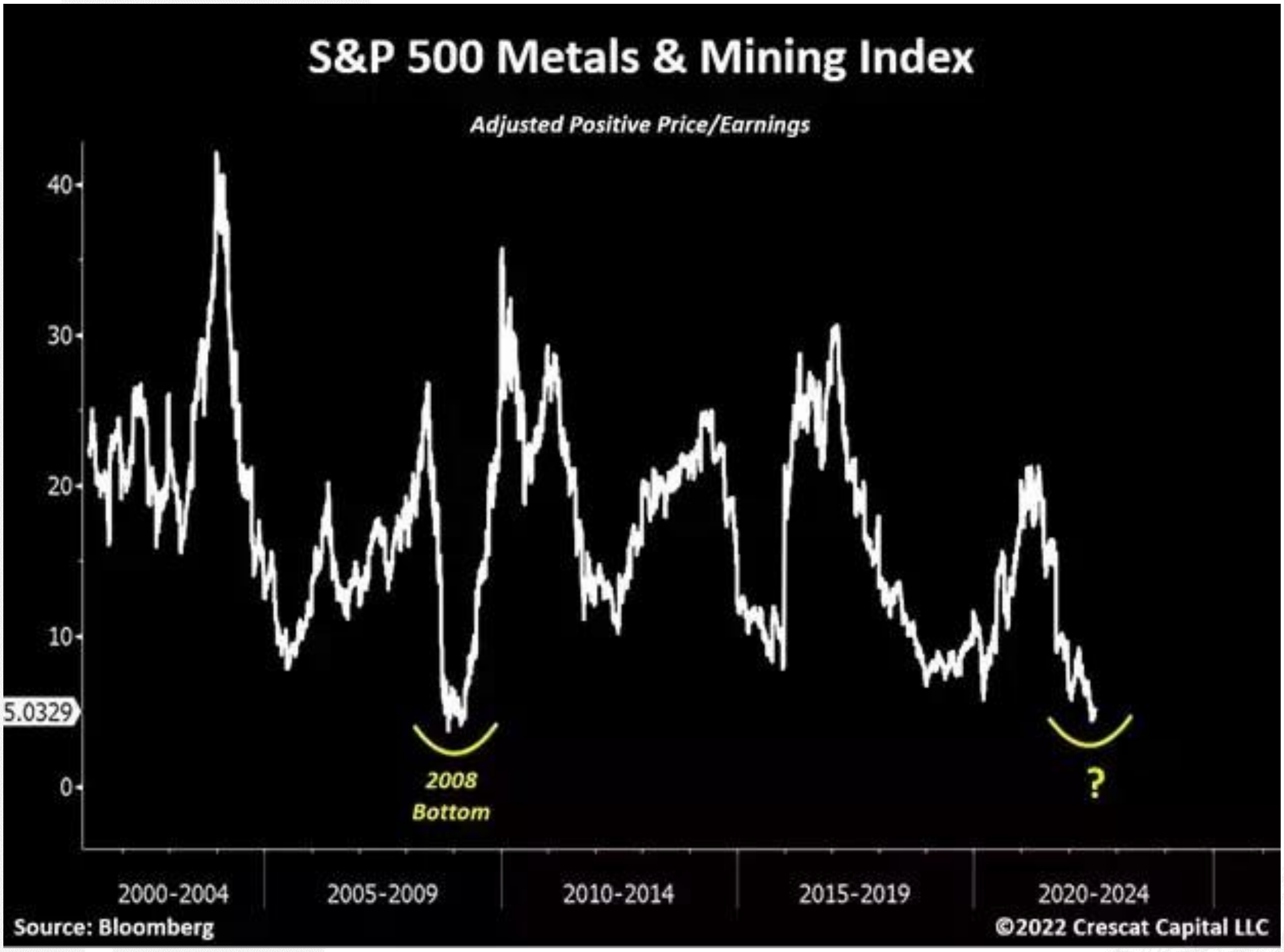
Volume Drying Up

There has also been a significant decline in the volume of the most liquid gold ETF, GLD. Prior lows in this metric marked important bottoms in precious metals.



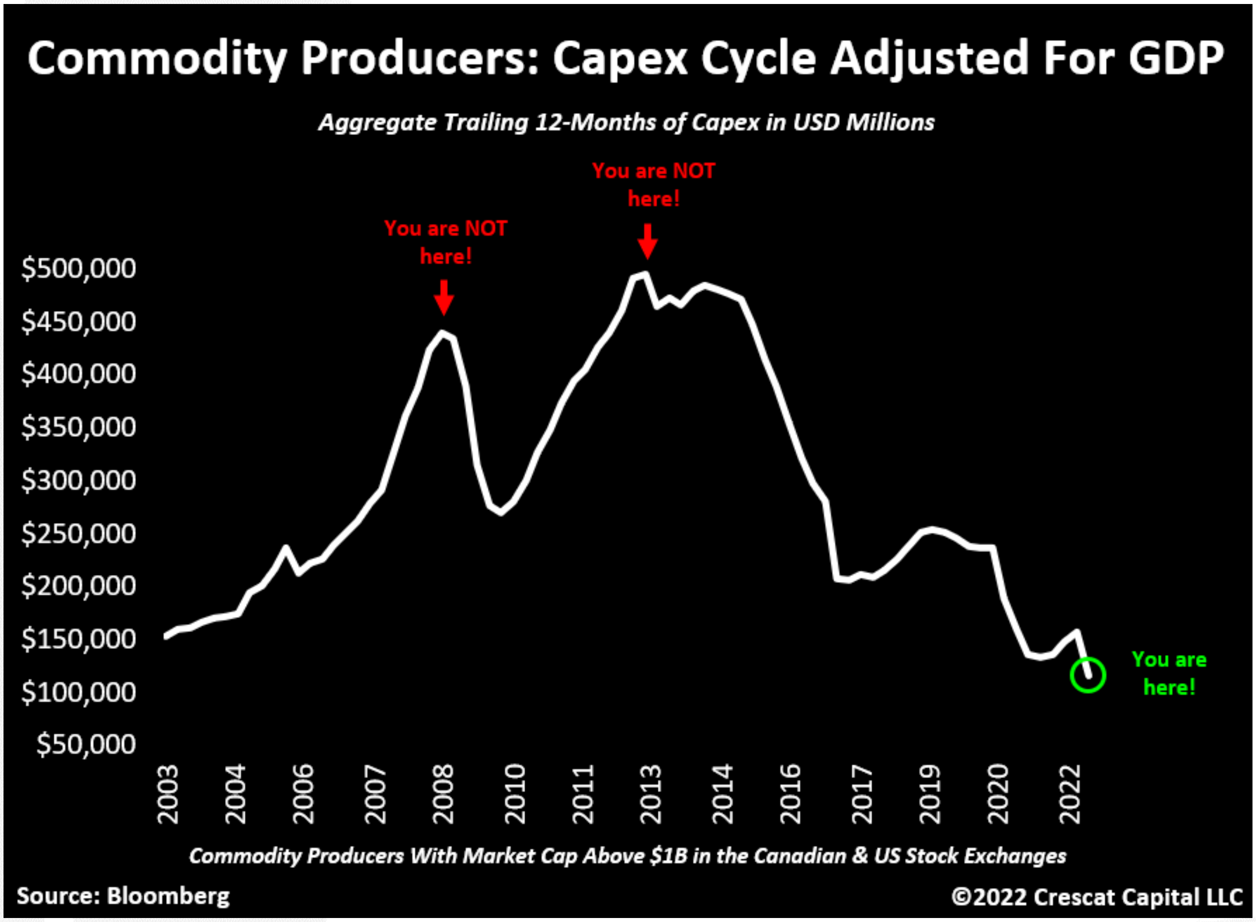
Miners at their Cheapest Levels Since the GFC

The case for owning mining companies has never been more compelling. While we have seen general fundamental improvements across the industry, today's profitable mining companies are also trading at their lowest-ever P/E ratio, one that is currently matching their 2008 bottom.



Commodity Producers' CAPEX at New Lows

More broadly on the commodities side, aggregate capital spending for natural resource companies continues to look depressed. There has never been a time when the commodities market peaked with the CAPEX cycle at historical lows. It is also important to adjust the nominal level of capital spending to inflation and economic activity, considering $10 million today cannot do what it did a decade ago. Not to mention, with the Fed tightening financial conditions, the availability of capital to invest in natural resource projects is also drying up. We believe supply constraints are likely to stay with us for a long time.



A Manufacturing Revamp

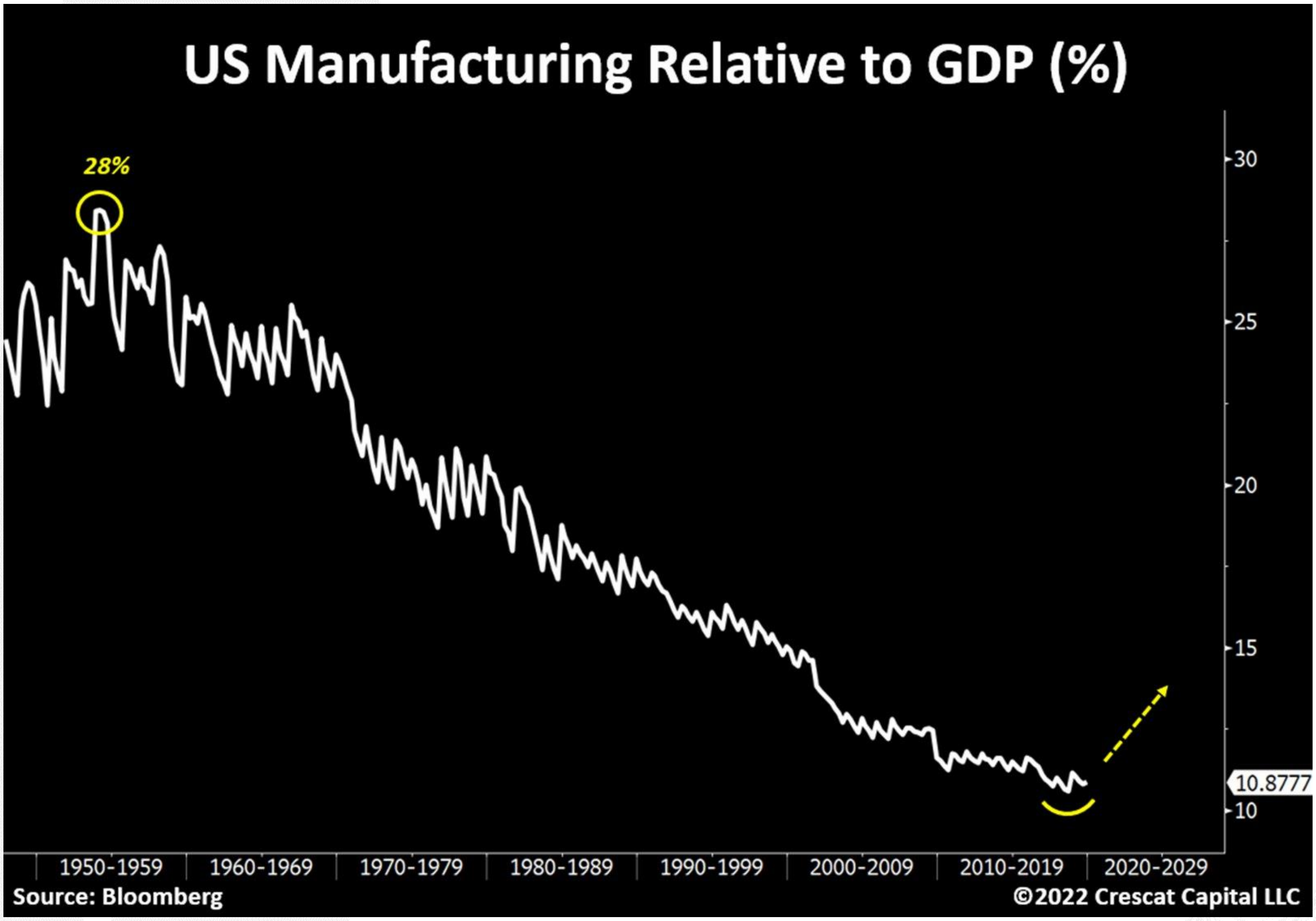
Just like the capex cycle for natural resources, the chart below is likely to become one of the most important supporting arguments to own commodities. As a significant part of what has been fueling the initial phases of today's inflationary era, we believe we are also at the early innings of a major deglobalization trend. This is the opposite of the mid-1940s analog when World War II ended, marking the beginning of an increasingly globalized trade environment.

The geopolitical climate between the big, authoritarian, centrally-planned, Eastern Bloc countries (China and Russia) and the advanced-economy Western democratic countries (i.e., the G7) has deteriorated rapidly. It means continued trade disintegration with the authoritarian East. To accomplish this shift, it will require substantial new infrastructure spending in the years ahead that will strategically help Western countries to reduce their economic reliance on China and Russia, and other foreign autocratic empires.

This manufacturing revamp in the world's largest, most advanced democratic economies should create one of the strongest secular demand waves for commodities that we will see in our lifetimes.

Remember what China's infrastructure spree meant to the natural resource industries in the 2000s?

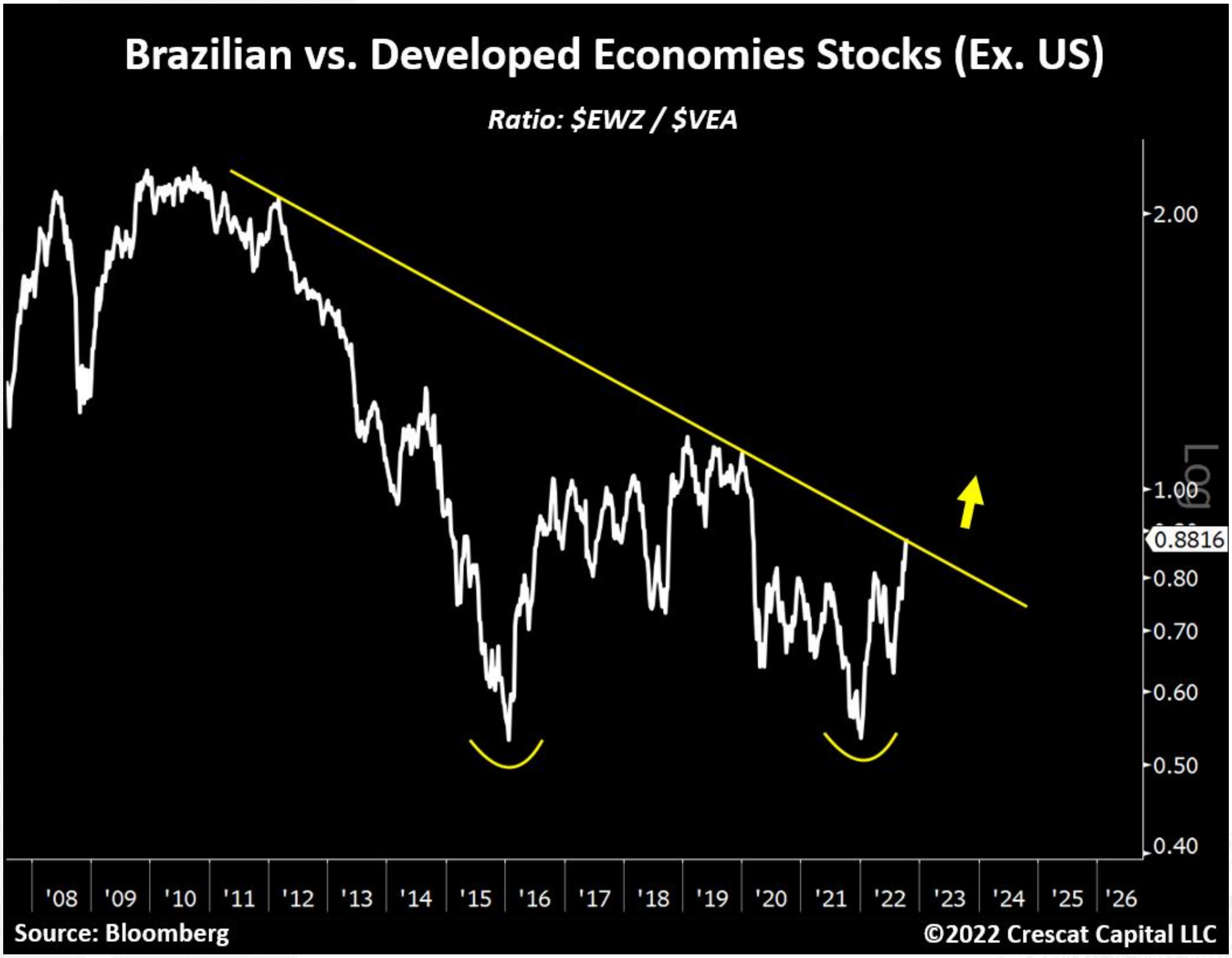
This time it should be larger because it will be driven by the G7 and its allies. Note on the chart below how manufacturing used to make up almost 30% of the US economy back in the 1950s and today makes up only 10%. This white line is very likely headed higher and should be one of the main investment cases for the long-term commodities bull market that we have just entered.



The Opportunity to Invest in Brazil

Brazilian equities have had a notable price change behavior. In the last several decades, when the Fed had to tighten monetary conditions, the Brazilian real devalued massively against the US dollar, and its equity market along with the economy suffered from significant downturns. The 2014 to 2016 period was a great example. Commodities collapsed, the real severely depreciated, and the Brazilian economy hit a wall. Stocks collapsed and even the president of the time was impeached. Some close watchers of these markets always attempt to explain such past issues through the political lens, but almost always, it is the capital and foreign liquidity flows that are the root cause of the problem.

If our macro thesis proves to be correct, and we are indeed entering a long-term inflationary period, commodity-led economies should be huge beneficiaries. Note that we did not use the word “Emerging Markets” here. These are blocks of economies that are not necessarily natural resource-rich/exporters or geopolitically neutral. Brazil, on the other hand, fits that bucket. Interestingly, see for instance how despite the recent correction in global financial markets, Brazilian equities have been performing relatively well. These price reactions are a reflection of how forward-looking allocators are beginning to sniff out the same opportunity at an early stage.

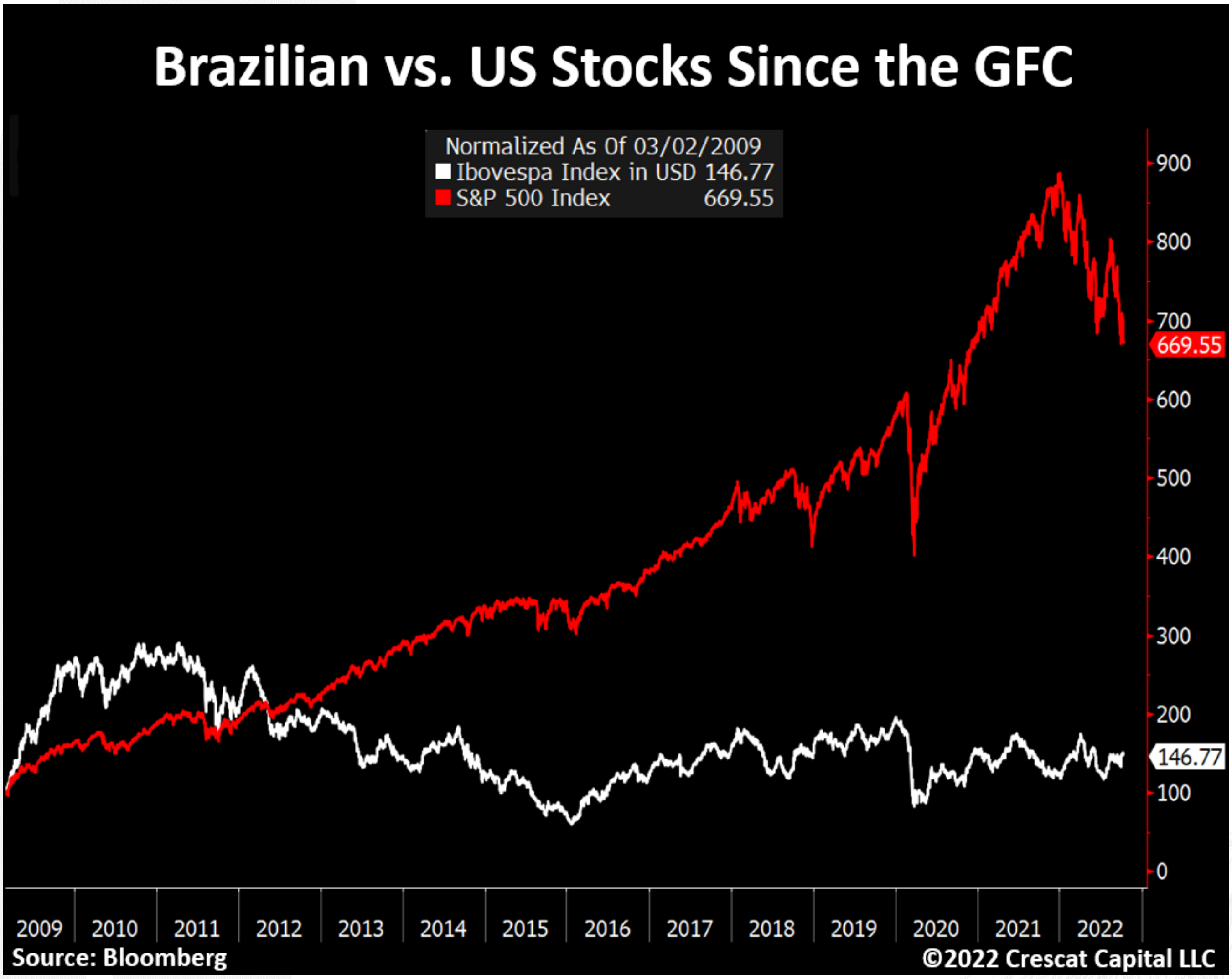


Strong Relative Performance

The Brazilian-to-US stocks ratio is also on the brink of a long-term breakout. We believe a break from these levels is likely to create further momentum in Brazilian equities.

Brazilian Equities Since the GFC

Additionally, Brazilian stocks have essentially gone sideways while US stocks went up almost seven-fold since the bottom of the Global Financial Crisis. The key reason for the underperformance also relates to dismal returns in commodities during the same period. We believe the next ten years will look drastically different given our positive views on the natural resources market. The Brazilian economy is one of the few places in the world that is blessed with highly prospective iron ore, base and precious metals' ground, fertile agricultural soil, and energy-rich basins. See in the next chart, how Brazilian equities behaved during prior bull market periods for commodities.



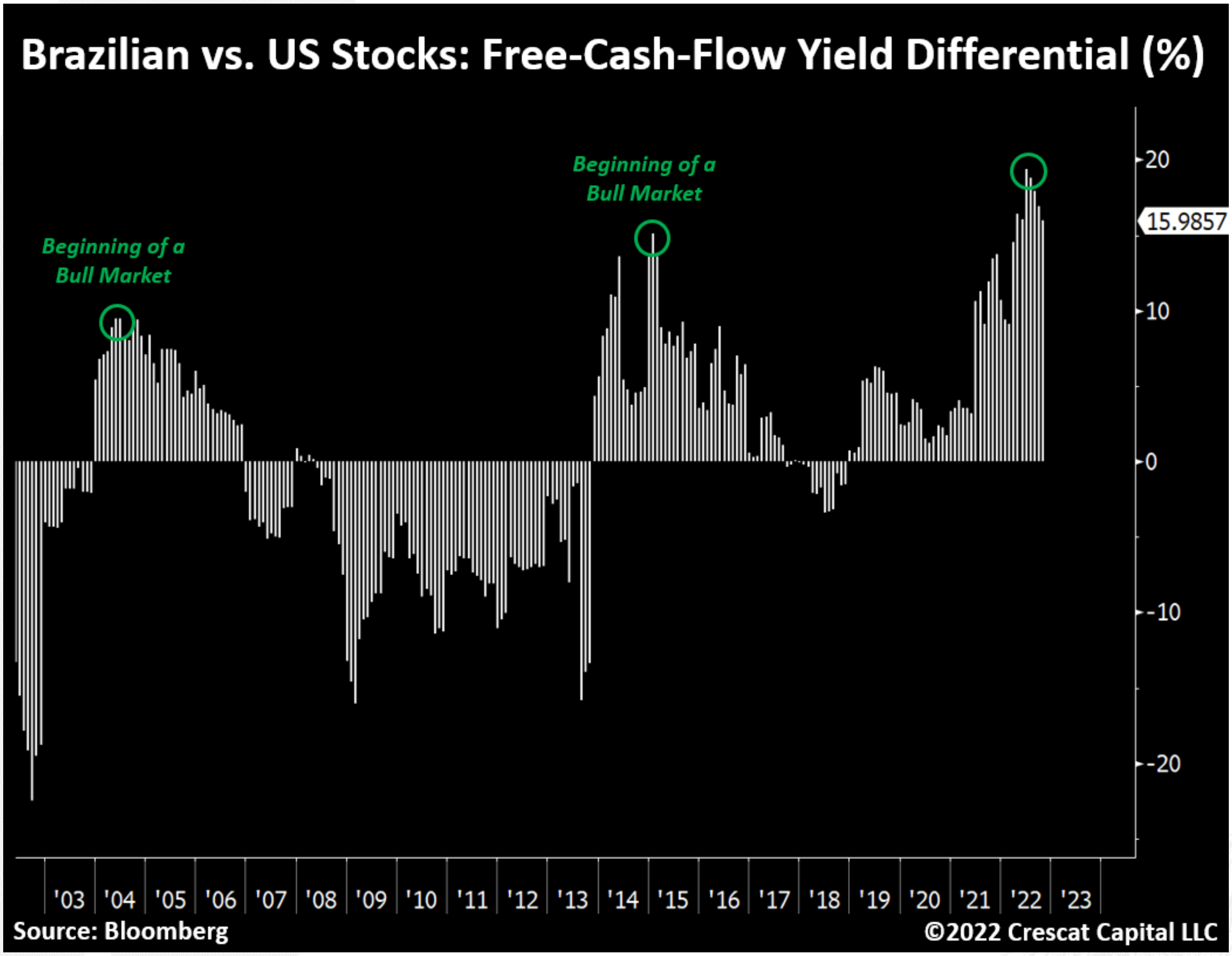
Brazilian Stocks During a Commodity Boom

From the bottom of the tech bust to the peak of the housing market, Brazilian stocks surged 18-fold while US stocks appreciated by 80%. We are not here to claim that we will see a similar appreciation during this cycle, however, we believe strongly that the fundamental and macro proposition to own Brazilian companies in this today's economic environment is quite attractive.

Brazilian Stocks Now Historically Cheap vs. US

One key metric to consider is the free-cash-flow yield differential between Brazilian and US stocks. The emerging market is 16 percentage points cheaper today. The most undervalued that we have seen in the history of the data. Prior periods that marked similar peaks also coincided with the beginning of a bull market in Brazilian stocks.

To be clear, we are fully aware that the potential for a global economic recession has been delaying the upward move in these assets. Therefore, we have started with a small position and intend to grow it over time if our views remain supportive. Cheap Brazilian stocks also serve as a great hedge to our short positions in overvalued financial assets.



Long Commodity-Led Economies vs. Short Net Importers of Natural Resources

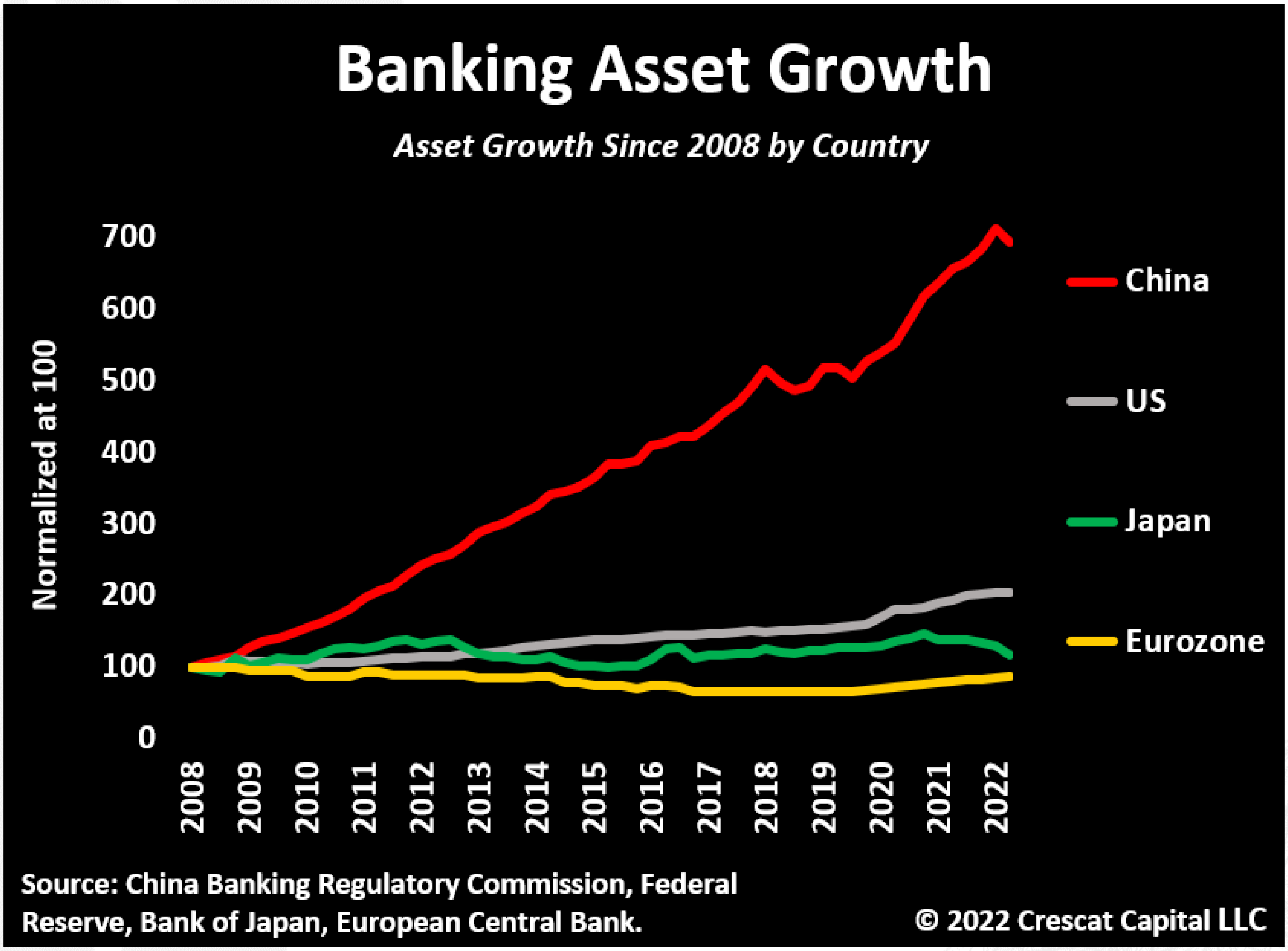
The opportunity in Brazil is also present in the currency markets. As shown in the chart below, the cross between the Brazilian real and the Chinese yuan is near a major breakout from a two-decade resistance. While we rather be long the Brazilian equities that offer even further asymmetry, the simplistic part of the thesis is to be buyers of natural resource-rich economies and sellers of net importers of commodities.

China and Hong Kong Twin Crisis

A financial black swan is essentially an uncommon macro view that turns out to be true and unfolds at a time when market participants are wrong-footed. We believe that a major devaluation of the Chinese yuan and a de-peg of the Hong Kong dollar both have the potential to become one of these tail-risk events.

China is facing the largest credit imbalance that we have seen in history for any major economy. The problem is rooted in its banking system which has grown almost seven-fold since the Global Financial Crisis, completely dwarfing other major economies. We believe there is an unrecognized non-performing loan problem that has been disguised by banks making more and more loans to companies that do not and cannot ever pay them back. China's banking assets are thus highly overstated at almost three times GDP. This is four times bigger than the banking imbalances in the US at the peak of the housing bubble just ahead of the Global Financial Crisis. While most market commentators like to say that China has enough foreign currency reserves to avoid a currency crisis, these reserves represent only 8% of its $37 trillion money supply. Hong Kong banks are in even worse shape with banking assets marked up to an impossible-to-believe nine times GDP.

As developed Western economies move away from relying on China's manufacturing sector, the long-term impact on its surplus current account could be detrimental to its economy, which depends on a higher level of net exports to function properly. We believe China is facing a twin banking and currency crisis with the currency being the next shoe to drop.



-33% in One Day

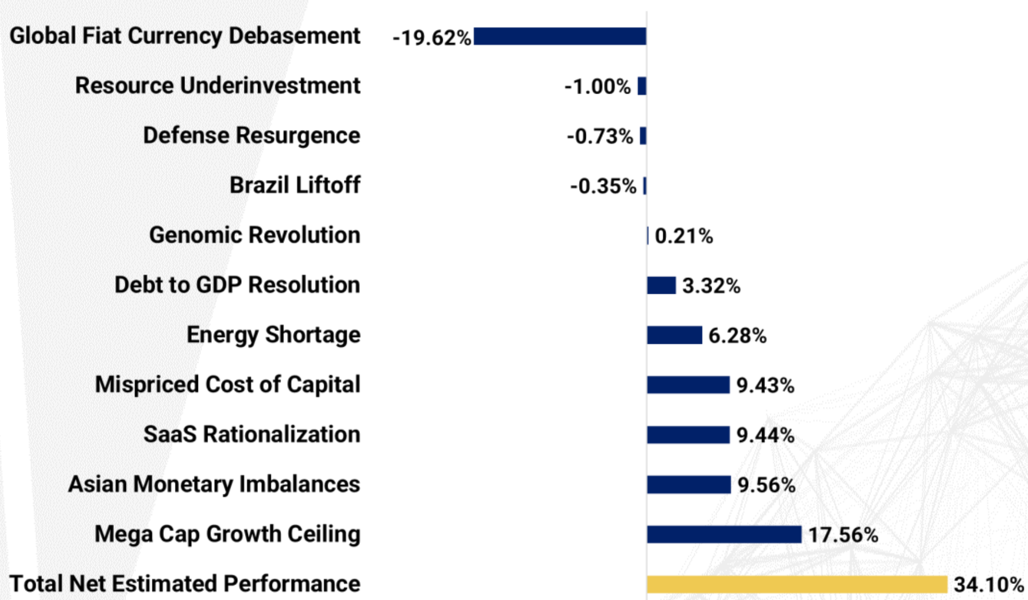
In 1994, when China was forced to restructure its banks, it had to devalue its currency by one-third in a single day. Such an event would be unimaginable by most investors in today's markets. People tend to forget longer-term history, but China had to reset its monetary system almost ten times in the last century. We believe there is a real risk that the Chinese yuan could severely devalue against the US dollar and gold.

Performance and Profit Attribution through September

Crescat Strategies Net Return through September 30, 2022

				Annualized Trailing					
CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	Q3 2022	September	YTD	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION	CUMULATIVE SINCE INCEPTION	YEARS SINCE INCEPTION
Global Macro Hedge Fund (Jan.1, 2006)	**8.0%**	**-3.8%**	**33.6%**	**42.3%**	**21.9%**	**13.5%**	**12.6%**	**629.3%**	**16.8**
Benchmark: HFRX Global Hedge Fund Index	0.5%	-1.0%	-4.6%	-4.5%	2.7%	1.7%	0.9%	16.9%	
Long/Short Hedge Fund (May 1, 2000)	**5.6%**	**-7.6%**	**8.9%**	**16.0%**	**17.4%**	**10.4%**	**7.8%**	**436.0%**	**22.4**
Benchmark: HFRX Equity Hedge Index	-0.1%	-2.0%	-4.8%	-2.3%	4.6%	2.8%	2.5%	72.7%	
Precious Metals Hedge Fund (August 1, 2020)	**10.7%**	**-11.7%**	**-19.2%**	**-10.2%**	**-**	**-**	**51.0%**	**144.1%**	**2.2**
Benchmark: Philadelphia Gold and Silver Index	-8.6%	3.2%	-22.6%	-13.6%	-	-	-16.5%	-32.3%	
Large Cap SMA (Jan. 1, 1999)	**-2.2%**	**-5.3%**	**-10.8%**	**-3.7%**	**3.4%**	**3.9%**	**9.1%**	**691.7%**	**23.8**
Benchmark: S&P 500 Index	-4.9%	-9.2%	-23.9%	-15.5%	8.1%	9.2%	6.6%	354.5%	
Precious Metals SMA (June 1, 2019)	**2.8%**	**-13.4%**	**-26.9%**	**-23.0%**	**17.2%**	**-**	**24.6%**	**108.3%**	**3.3**
Benchmark: Philadelphia Gold and Silver Index	-8.6%	3.2%	-22.6%	-13.6%	6.0%	-	13.1%	50.7%	

Crescat Global Macro Fund Profit Attribution By Theme Estimates Year to Date Through September 30, 2022



We are extremely excited about the opportunities ahead for our strategies. Please contact Marek, Cassie, or Linda if you are interested in taking advantage of the value and macro opportunities that we see in the market right now.

Sincerely,

Kevin C. Smith, CFA
Member & Chief Investment Officer

Tavi Costa
Member & Portfolio Manager

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Important Disclosures

Performance data represents past performance, and past performance does not guarantee future results. An individual investor's results may vary due to the timing of capital transactions. Performance for all strategies is expressed in U.S. dollars. Cash returns are included in the total account and are not detailed separately. Investment results shown are for taxable and tax-exempt clients and include the reinvestment of dividends, interest, capital gains, and other earnings. Any possible tax liabilities incurred by the taxable accounts have not been reflected in the net performance. Performance is compared to an index, however, the volatility of an index varies greatly and investments cannot be made directly in an index. Market conditions vary from year to year and can result in a decline in market value due to material market or economic conditions. There should be no expectation that any strategy will be profitable or provide a specified return. Case studies are included for informational purposes only and are provided as a general overview of our general investment process, and not as indicative of any investment experience. There is no guarantee that the case studies discussed here are completely representative of our strategies or of the entirety of our investments, and we reserve the right to use or modify some or all of the methodologies mentioned herein.

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