

February 28, 2026

US Military Strike on Iran

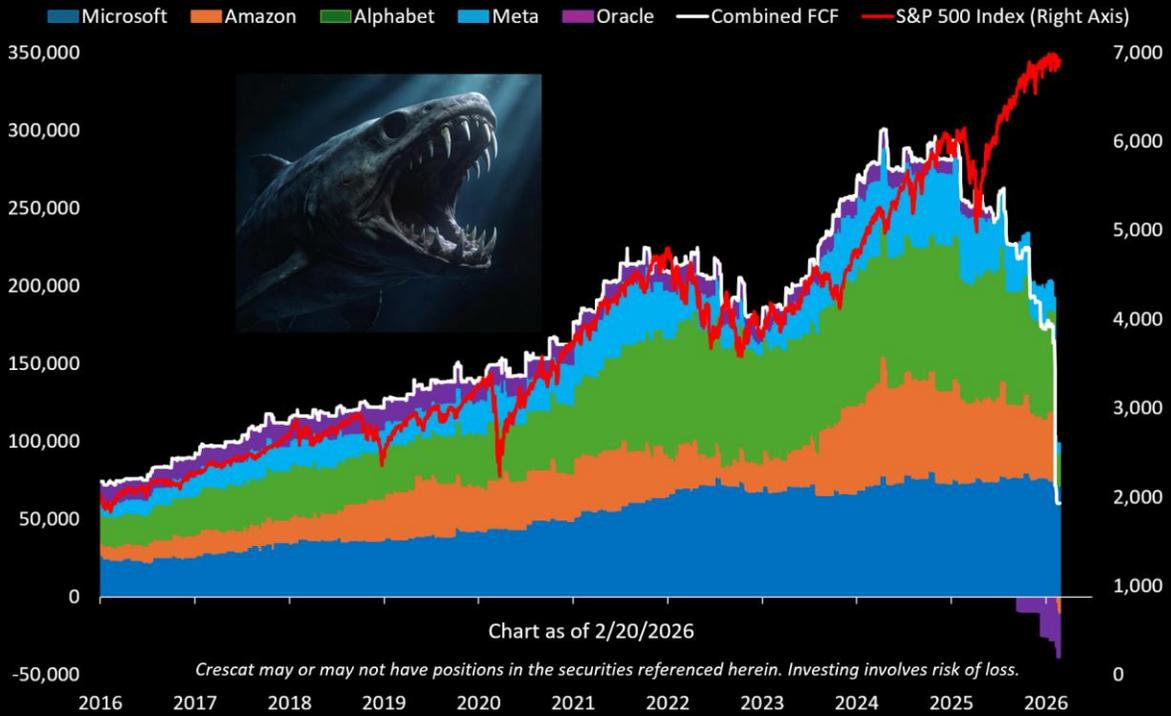
With the escalating conflict in the Middle East, we believe there is little about Crescat's portfolio positioning that needs significant realignment. We remain substantially long undervalued high-growth precious metals mining companies across all our funds. These companies should only come more into favor in the current geopolitical environment. To a lesser degree, we also have long oil and gas holdings in our macro and long/short funds. Our more oil-focused holdings will likely get a boost that should provide us with a near-term ability to reduce that exposure, ideally into significant strength. Such is the current opinion of Crescat's veteran geologist and energy advisor, Lisa Thieme, who will be featured in an upcoming Crescat Market Call video in March. For now, she believes that with the Strait of Hormuz temporarily shut down, the oil price will have a short-term spike. She just reminded us that 20-30% of all seaborne crude goes through the Strait of Hormuz. Lisa is less bullish on the sustainability of the oil price move, however, given her analysis of structural global supply and demand factors. Meanwhile, she remains highly constructive over the medium term for undervalued and natural gas producers in the US, where Crescat will likely remain positioned.

Potential Major US Stock Market Top

Crescat's macro and long-short funds have continued to maintain short exposure to overcrowded and overvalued US large cap indices, which are now dominated by the megacap tech stocks. Historic high valuations have been a warning sign for several years already for US large cap indices and megacap tech, but valuations alone have not signaled a major market top. Neither necessarily has the US military strike on Iran, though this could certainly increase the market risk premium in the near term. The real fundamental catalyst now finally at play, in our view, to raise our conviction that a major top for the megacap tech stocks already occurred on October 29, 2025, is the sharply plunging expected free cash among the five largest A.I. hyperscalers. The chart below shows the median, combined, rolling forward 4-quarter free cash flow estimates across Wall Street fundamental analysts for Microsoft, Amazon, Alphabet, Meta, and Oracle. Note the past high correlation of these two series. The risk is that the red line starts veering significantly in the direction of the white one in the near term.

2026 Death Jaws Pattern

A.I. Hyperscalers: Rolling Next-4-Quarter Free Cash Flow Analyst Estimates (USD Millions - Left Axis)

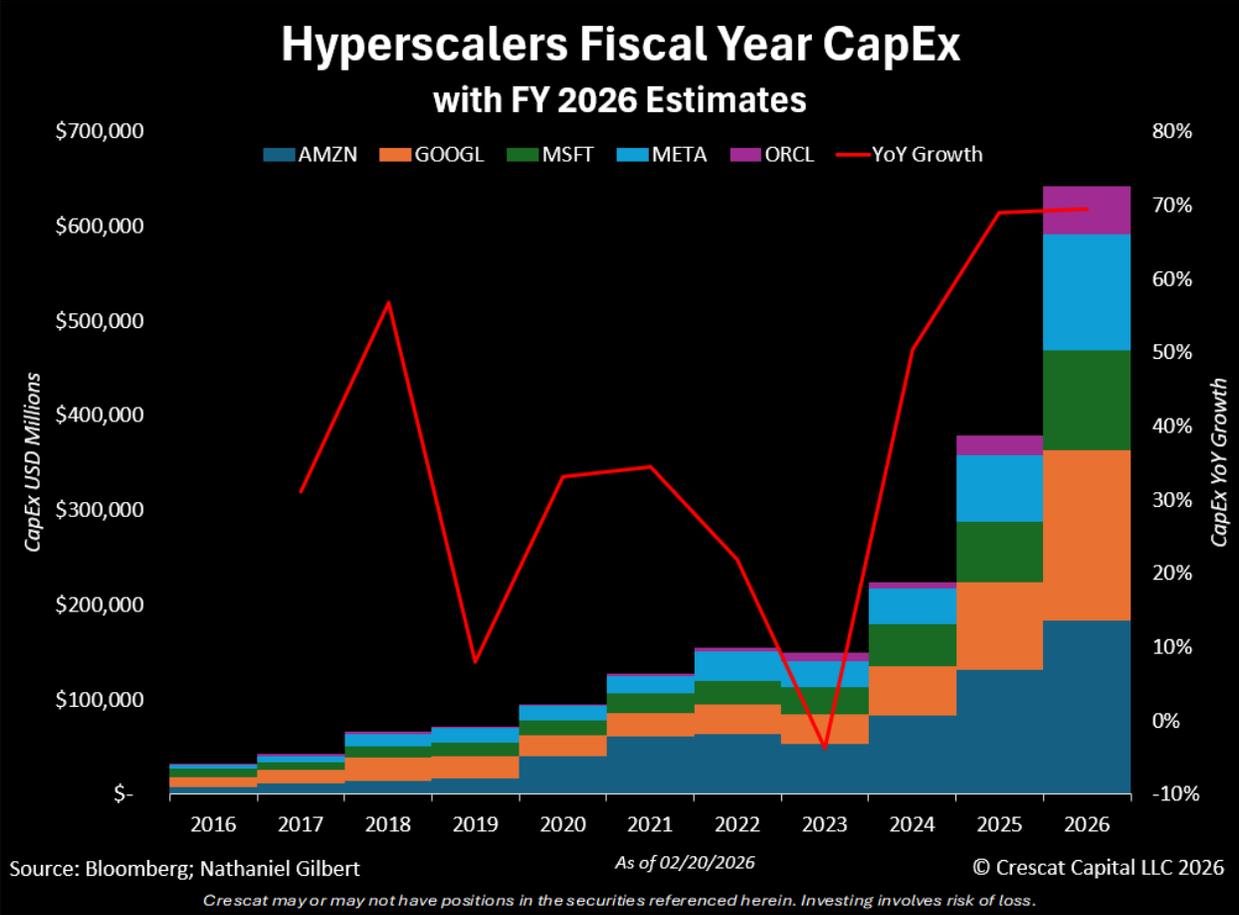


Source: Bloomberg, Kevin C. Smith, CFA

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The CapEx Prisoner's Dilemma

Aggregate capital expenditures for fiscal year 2026 across the top-5 A.I. hyperscalers are estimated at approximately \$641 billion, representing nearly 70% YoY growth, on top of a similar, nearly 70%, increase from FY2024 to FY2025. To put that into perspective, the aggregate estimated FY2026 CapEx is equivalent to the combined enterprise value of the smallest 47 non-bank companies in the S&P 500. Put differently, with their projected fiscal year 2026 CapEx, the five companies above could, in theory, acquire almost 10% of the companies in the S&P 500. In our view, the magnitude of this investment cycle is bewildering.



The AI and infrastructure CapEx has begun to look less like a growth investment and more like a prisoner’s dilemma. We believe each hyperscaler is incentivized to invest aggressively to avoid “falling behind” in an AI arms race, even if the collective outcome is inferior industry economics. The risk is that simultaneous, large-scale capacity additions leave the system with excess compute relative to near-term monetization, extending payback periods and shifting the profit model from high-margin software toward more capital-intensive infrastructure.

Stop the Spend

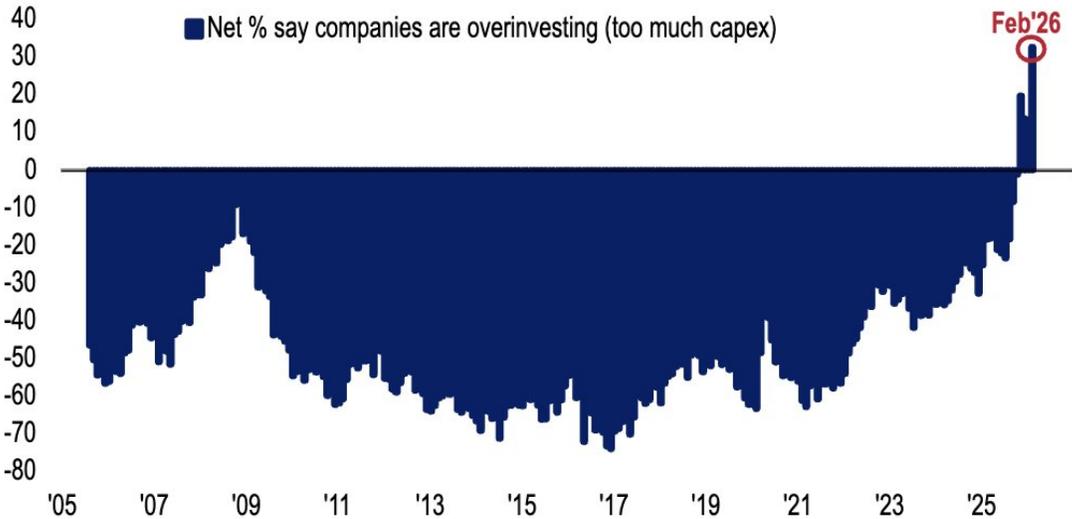
A record share of respondents in Bank of America’s Global Fund Manager Survey indicated that companies are overinvesting, signaling a potential inflection in investors’ attitude towards capital expenditures. After an extended period in which large capital expenditure announcements, namely those connected to AI and related infrastructure, were met with blind bullishness, market participants are beginning to whisper the long-forgotten words of Return on Investment (RIO).

Microsoft’s January 28th earnings reaction underscored this shift. Shares declined nearly 10% as the company disclosed a surge in AI-related spending that investors interpreted as intensifying near-term pressure on free cash flow and raising questions around the timing and magnitude of the return on

investment. This response stood in stark contrast to the company’s earnings from July 30th, 2025, where the market celebrated the CapEx acceleration, given strong cloud performance and the perception that AI investment was translating more directly into revenue and growth. In our view, the tide is starting to turn, as the market becomes increasingly intolerant of CapEx without near-term visibility on returns and extremely high multiples for these companies.

Chart 1: CIOs telling CEOs to slow capex

Net % of FMS investors saying companies are "overinvesting"



Source: BofA Global Fund Manager Survey

Chart above as of 2/16/2026

Rate Payer Protection Pledge

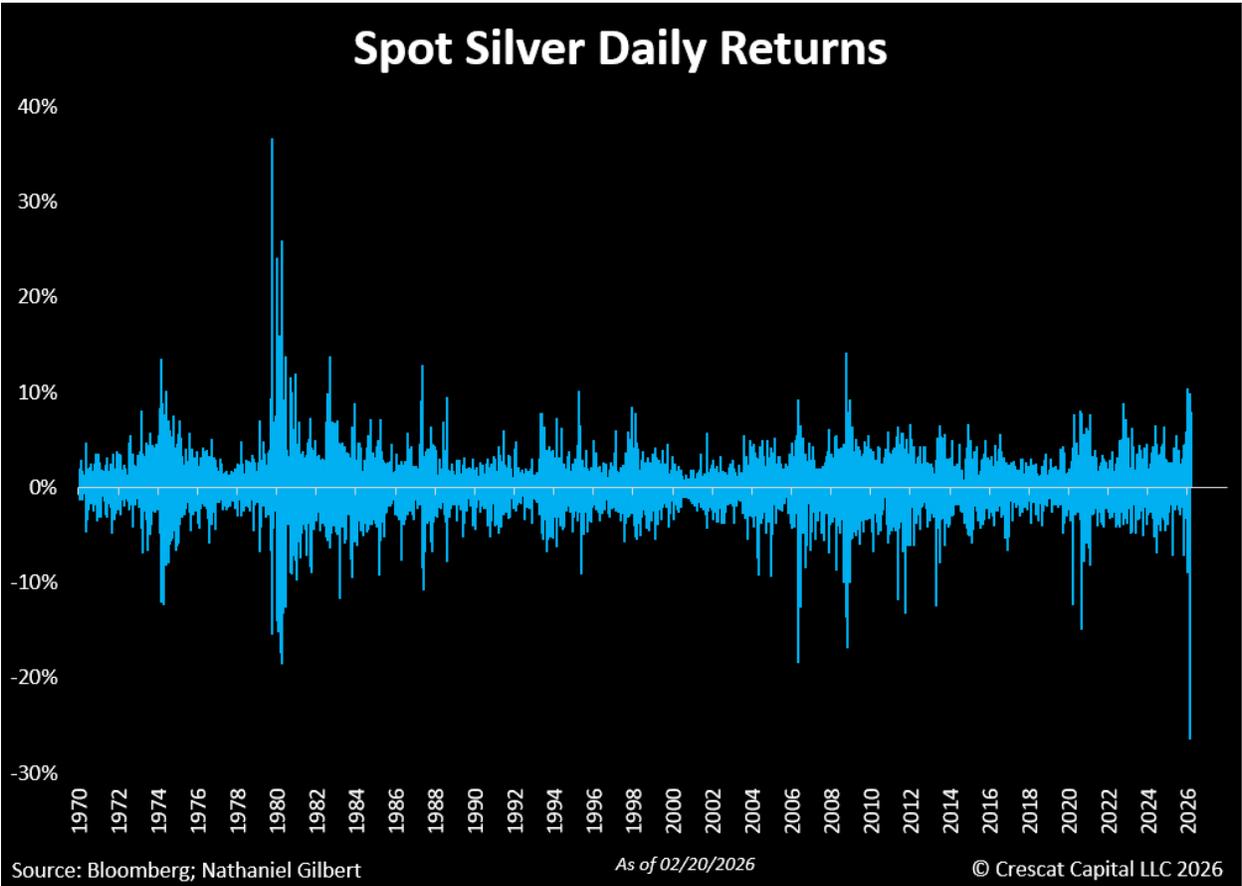
On February 24th President Trump delivered the annual State of the Union Address, where he officially announced the rate payer protection pledge that he has negotiated. The general idea is to combat rising energy prices being passed to others by companies building AI data centers and consuming massive amounts of electricity will be required to fund their own electricity usage. “So I’m telling [companies] they can build their own plant; they’re going to produce their own electricity” – President Trump.

At present, limited detail has been provided on the structure or implementation mechanics of the plan, however Energy Secretary Chris Wright confirmed that major hyperscalers have endorsed the deal. The President is expected to host tech companies at the White House in the following weeks to officially roll out the pledge. As reported by The Wall Street Journal, industry participants have cautioned that headline commitments from large platforms may not translate cleanly into delivered capacity, given that a substantial portion of data-center development and utility power procurement is typically executed by third-party developers.

While the ultimate scope and enforceability of the pledge remain uncertain, one possible outcome is that it results in a further acceleration in hyperscaler capital investment. Under this scenario, the largest players may be required to fund a meaningful share of energy infrastructure buildout, compressing free cash flow even further.

Silver Shock

On January 30th, 2026, silver experienced what can be described as nothing short of a historic sell off, with spot closing the day at \$85 an ounce, hitting intraday lows of \$73 an ounce. The violent unwind dragged down other precious metals with it.



In our assessment, this episode is better characterized as a correction than a definitive blow-off top. The sell-off followed a period of rapid appreciation that left the market extended and increasingly crowded, making prices vulnerable to a downside catalyst. That catalyst arrived with President Trump’s announcement selecting Kevin Warsh to lead the Federal Reserve, which the market interpreted as reducing the likelihood of near-term rate cuts. The resulting repricing, firmer U.S. dollar and higher-for-longer rate expectations, broke momentum and accelerated de-risking, particularly in an environment of thin liquidity where systematic and model-driven flows can amplify downside once technical levels fail.

Importantly, we do not view the move as invalidating the broader macro thesis, which we have discussed at length in past letters, that has underpinned the advance in precious metals. With volatility normalizing and prices stabilizing, we believe the conditions are in place for the underlying uptrend to reassert itself.

Crescat's Hedge Fund Performance

Despite the flash crash in precious metals at the end of January, Crescat posted another month of strong performance across all Crescat's funds. One of the most meaningful positive contributors was Tectonic Metals, following the company's announcement of additional drill assay results from its Flat Gold Project in Alaska. Highlights included a 9.94 g/t over 36.58 m intercept at Chicken Mountain, including 15.73 g/t Au over 22.86 m, with a high-grade interval of 104.23 g/t Au over 3.05 m. Importantly, the hole ended in mineralization at 54.86 m, indicating strong down-dip and along-strike expansion potential. On the negative side, a rapid appreciation of the U.S. dollar weighed on returns after Kevin Warsh was announced as the next Chair of the Federal Reserve. Crescat maintains non-U.S. currency exposure through a long Japanese yen position expressed via futures contracts and through Canadian dollar sensitivity embedded in our mining equity holdings.

Crescat Strategies Estimated Net Returns Through January 31, 2026

CRESCAT STRATEGIES VS. BENCHMARK (Inception Date)	JANUARY	ANNUALIZED TRAILING				SINCE INCEPTION	CUMULATIVE SINCE INCEPTION	YEARS SINCE INCEPTION
		1-YEAR	3-YEAR	5-YEAR	10-YEAR			
Global Macro Hedge Fund (Jan. 1, 2006)	11.6%	124.1%	16.5%	9.6%	8.2%	12.3%	926.5%	20.1
Excluding SCM SP ² (Jan. 1, 2006)	18.5%	133.3%	13.8%	8.1%	7.4%	11.9%	856.8%	20.1
Benchmark: HFRX Global Hedge Fund Index	2.0%	8.2%	5.3%	3.3%	3.6%	1.7%	38.9%	
Institutional Macro Hedge Fund (July 1, 2023)	12.1%	111.3%	-	-	-	22.1%	67.8%	2.6
Excluding SCM SP ² (July 1, 2023)	18.0%	117.4%	-	-	-	18.0%	53.5%	2.6
Benchmark: HFRX Global Hedge Fund Index	2.0%	8.2%				6.6%	17.9%	
Long/Short Hedge Fund (May 1, 2000)	10.2%	123.8%	17.4%	7.6%	7.6%	8.3%	688.3%	25.8
Excluding SCM SP ² (May 1, 2000)	15.9%	132.4%	14.4%	6.0%	6.8%	8.0%	629.8%	25.8
Benchmark: HFRX Equity Hedge Index	2.3%	10.2%	8.5%	7.3%	5.5%	3.3%	127.9%	
Precious Metals Hedge Fund (August 1, 2020)	10.3%	131.0%	34.4%	15.8%	-	37.3%	472.6%	5.5
Excluding SCM SP ² (August 1, 2020)	14.5%	145.8%	32.5%	14.8%	-	36.2%	448.8%	5.5
Benchmark: Philadelphia Gold and Silver Index	11.7%	151.5%	44.2%	24.5%		19.8%	170.0%	
Institutional Commodity Hedge Fund (July 1, 2023)	11.3%	125.9%	-	-	-	37.9%	129.7%	2.6
Excluding SCM SP ² (July 1, 2023)	17.5%	140.0%	-	-	-	36.9%	125.3%	2.6
Benchmark: Philadelphia Gold and Silver Index	11.7%	151.5%				58.7%	230.7%	

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.**

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.

1 – 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.

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.

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

The **S&P 500®** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

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.

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