

EMA GARP Fund, LP. --- Report for the Second Quarter ended June 30, 2026**KEY TAKEAWAYS**

- **Bubble Signs & Risks Abound**
 - AI capex is driving growth and earnings, but the US stock market is at an extreme valuation. It echoes 1999's zaniness.
 - Passive ETFs and Platform "trend following" vehicles along with extreme leverage in the market are the fuel for this bubble.
 - **US Federal Government Fiscal Policies (and History)**
 - WWII put the US Federal Government in a deep debt hole, but 1945 onward's stimulative economic policies, favorable demographics and growth helped the US dig out.
 - Politicians will try to claim that this same story can repeat as a solution for our present debt hole. Don't buy the snake oil. It can't be done.
 - **Bessent & Warsh's Solution - Inflation**
 - USA is bankrupt. They will have to inflate (likely massively) or the debt will consume us.
 - **The Federal Reserve**
 - Warsh has put on a Hawkish air. But we see Dovish clues.
 - **Zooming Out: The US & Fed's "Song Remains the Same"**
 - It's silly how we pay attention to Bessent or Powell or Warsh as if they could actually "fix" the compounding debt problem.
 - US Debt and Deficits keep growing. And the Money Supply is growing with it in the absence of buyers of our US Treasury Bonds.
 - Gold is poised to launch much higher. This bull market has only just begun.
 - **Gold**
 - 1H 2026 has been a bull market correction due to: a) the Iran War which spiked oil and inflation fears; b) interest rates rose (hurting gold) given those inflation fears; c) Warsh talked tough on inflation; and d) investment flows went to oil and AI names.
 - **CRITICAL POINT:** In our opinion, Financial War is escalating rapidly between the West (US/Europe) and Russia/China/Iran. Gold demand from the Far East remains robust and Gold is replacing US Treasury Bonds as the global reserve asset. America and the West are asleep to that trend and not connecting the dots.
 - Gold prices are way too low when comparing it to the monetary base, fiscal debt and the S&P 500.
 - **Silver**
 - Silver supply deficits persist, albeit at smaller levels. Yet those deficits are poised deepen.
 - The technical charts on Silver are things of beauty.
 - **Gold and Silver Miners**
 - The miners are way, way too cheap at present gold and silver prices. And their earnings outlook is robust at higher bullion prices given the substantial operating leverage.
 - Miner industry profitability is as good as it's been at any point in the last 25 years.
 - Two Miner Case Studies are outlined – Aris and Avino. Crazy cheap and massive asymmetry.
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RESULTS SUMMARY

This is the EMA GARP Fund L.P. report for the second quarter of 2026 ended June 30. For the month of April, the Fund decreased in value by -1.81%. In May, the Fund increased in value by +4.60%. In June, the Fund decreased in value by -22.11%. For the quarter, the Fund decreased in value by -20.00%.

Quarterly	Return*	Cumulative
Q2 2026	-20.00%	-22.0%
Q1 2026	-2.45%	-2.5%
Monthly	Return*	Cumulative
June	-22.11%	-22.0%
May	4.60%	0.2%
April	-1.81%	-4.2%
Annual	Return**	Since Inception
2025	174.5%	234.1%
2024	19.2%	59.6%
2023	-3.9%	40.4%
2022	-40.7%	46.1%
2021	-20.4%	146.3%
2020	121.8%	212.1%
2019	97.9%	40.7%
2018	-31.8%	-28.9%
2017	-7.8%	4.3%
2016	75.0%	13.2%
2015	-8.0%	-35.3%
2014	-26.8%	-29.7%
2013	-50.8%	-4.0%
2012	-7.9%	93.3%
2011	-32.2%	110.0%
2010	47.1%	209.5%
2009	33.2%	110.4%
2008	-5.8%	58.0%

* Net of fees, incentive allocation charged in December if 10% hurdle is reached.

** Net of fees and incentive allocations, audited.

RESULTS COMPARISON

In the second quarter of 2026, the EMA GARP Fund decreased in value by -20.00%. On a year-to-date basis, the Fund is down -21.96% for the first half of the year.

The schedule below shows the Fund's performance compared to the general stock market indices, and the gold stock indices for the second quarter of 2026.

First and Second Quarter 2026 Results Comparison

	Q1	Q2	YTD
EMA Garp Fund, LP	-2.5%	-20.0%	-22.0%
DJIA	-3.2%	13.4%	9.8%
S&P 500 Index	-4.4%	15.2%	10.2%
NASDAQ Composite	-7.0%	21.6%	13.1%
XAU/ Gold/ Silver stocks	9.8%	-14.8%	-6.6%
HUI Gold Stocks Index	11.4%	-17.1%	-7.6%
GDX Gold Majors ETF	7.0%	-17.8%	-12.0%
GDXJ Gold Juniors ETF	5.5%	-18.2%	-13.7%
GOEX Gold Explorers ETF	5.0%	-18.2%	-14.1%
SIL Silver Miners ETF	7.9%	-13.9%	-7.1%
Gold Bullion	8.1%	-14.1%	-7.2%
Silver Bullion	4.9%	-22.0%	-18.2%
Crude Oil	76.6%	-31.4%	21.0%
Goldman Sachs Commodity Index (GSCI)	39.9%	-11.3%	24.0%
Wisdom Tree Commodity Index (GCC)	13.2%	-5.4%	7.1%
US Government 10 Year Yield	4.32%	4.47%	
US Dollar Index	99.96	101.19	
Bitcoin	-22.2%	-14.0%	-33.1%

QUARTERLY OVERVIEW

Artificial Intelligence (AI) and its related growth stocks were the story in Q2, culminating in the much-anticipated SpaceX IPO in June, the largest IPO of all time, raising \$86 billion. The NASDAQ was up +21.6%. and the S&P 500 was up +15.2%. Conversely, hard assets and commodities were shunned in Q2 with Oil notably down 31.4%. Gold and mining stocks were down in the -14% to -18% area.

The Iran War, which began on February 28th, marked the beginning of the correction in the prices of gold, silver and the mining stocks. It seems the headwinds for our portfolio in Q2 were the AI euphoria (e.g., the semiconductor ETF SOXX was up over 100% in 1H 2026) and the market's belief that new Fed Chair Kevin Warsh will be a "hawk" or somehow fix the USA's deficit, debt and money printing challenges. We disagree and will explain why. Some have even commented that the "monetary debasement trade"

(EMA's thesis) is dead. Our view is that it is not dead; it is just taking a well-deserved rest after having had an outstanding year in 2025. None of the factors which drove this trade have changed as we will show you in this letter.

Bitcoin also faced these same AI / Kevin Warsh headwinds and has continued its now 10-month long correction. Year to date it is down -33.1% in 2026 (and is down 52% from its 2025 all-time high). Its volatility may continue for a bit given it is correlated with risk on assets in the short run. But it remains cheap and a good Digital Gold form of sound money. Its longer term favorable outlook remains intact.

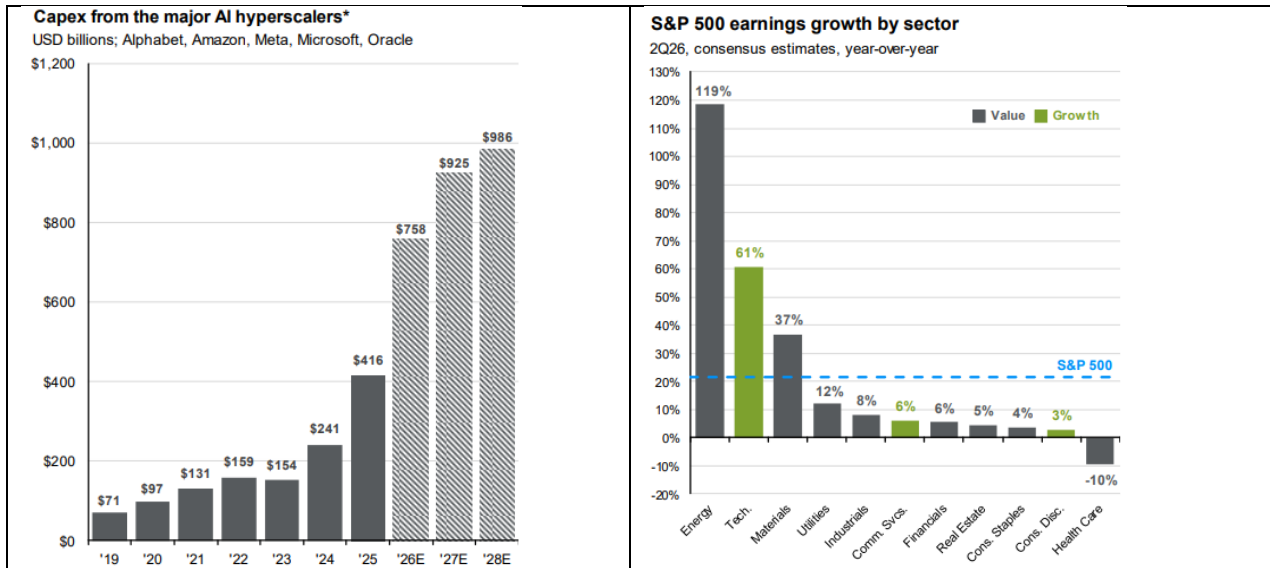
In contrast, the S&P 500 experienced a 10% correction after the launch of the Iran War. However, the US Stock market proved to be very resilient by climbing 20% to a new all-time high in June on the back of a cease fire and potential peace agreement with Iran. However, because skirmishes have continued and Hormuz Strait traffic has not been fully restored, this agreement now looks somewhat tenuous.

BUBBLE SIGNS & RISK ABOUND

The US Stock market is not cheap. The ongoing monetary distortions of the last 20 years have led to extreme valuation metrics. Unless something changes monetarily, it seems like this trend can continue. However, each new high is driven by a new theme. The theme of this one is AI and the related build out of computing capacity.



There is no doubt that the AI Capex spend and ensuing earnings boost in certain segments can propel stocks even further. As the charts below show, the main AI hyperscalers (Mag 7) are hockey sticking their Capex spend and are slated to spend nearly \$1 Trillion a year in capex each of the next two years. This AI Capex is accounting for ½ of the current 2.1% US GDP growth. This in turn is powering earnings in many sectors such Energy, Tech, Materials and Utilities. (granted Energy growth is also coming from higher oil prices).



Source: JP Morgan Asset Management

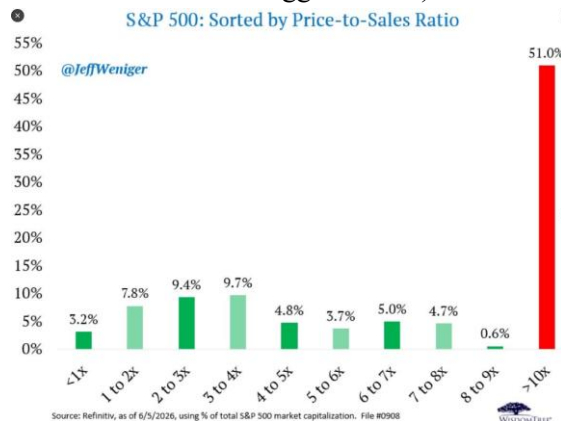
Clearly AI is helping with productivity – e.g. we have spoken with Partners of major US Law and Big 4 Accounting firms and each have said they can reduce the hiring of junior staff given AI efficiencies in searching for legal case precedents, or in AI finding red flags while conducting a public accounting audit of a 3 million widget company. One law firm estimated they can reduce legal associate hiring by 35%.

While calling the exact top in any euphoric market trend is incredibly difficult, so much of what we are seeing today reminds us of a combination of the excesses of both 1999 (tech bubble) and 2007 (housing/credit bubble). Each of these periods was a mania.

Just as it's being ignored here in 1H 2026, Gold in the late 1990s was also being ignored as it saw a 30%+ drawdown during that Dotcom bubble. We view Gold and Silver and the miners as among the few value investments now (just as they were in 1999/2000) as the Dotcom bubble was fading.

So, at the risk of sounding like Doomers – allow us to outline just a few of the risks beyond the AI bubble that we see in the broader markets.

1. **Expensive Equity Markets** – 51% of the S&P 500 is trading at > 10x Sales (Note: Mag7 names comprise ~ 40% of the S&P 500 so this is the biggest driver).

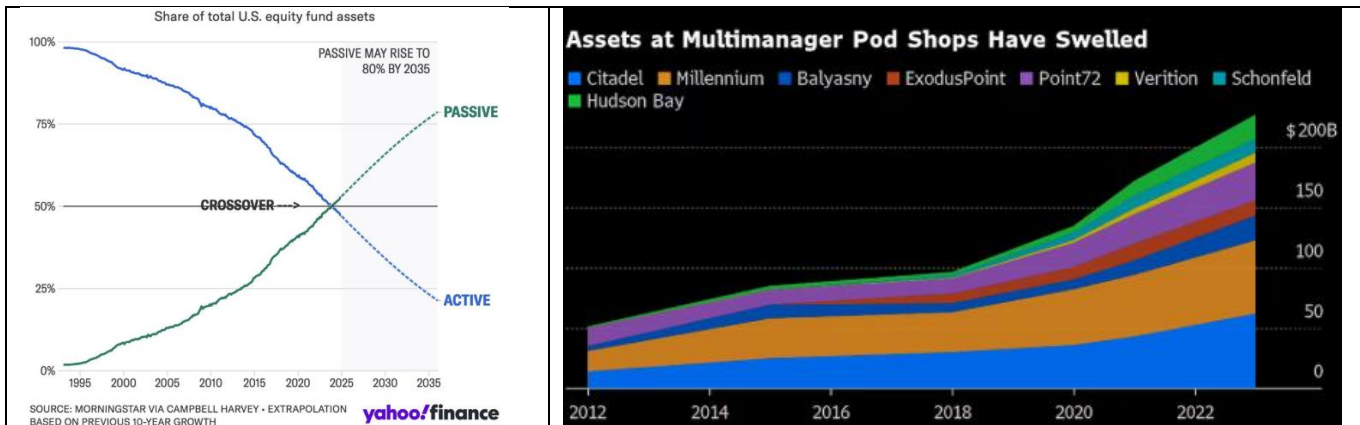


Thierry Borgeat recently recalled the dotcom era, high flying company Sun Microsystems's CEO Scott McNealy's famous quote when he said the following in 2002 after the tech crash:

"At 10x revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. Zero costs. Zero R&D. Zero taxes. Zero employees. What were you thinking?"

- Scott McNealy CEO Sun Microsystems March 31, 2002

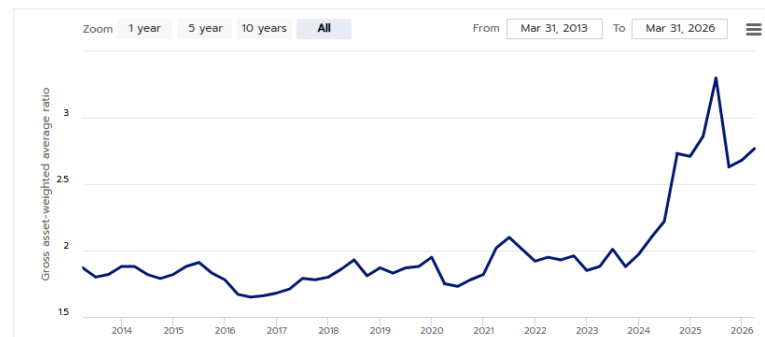
2. **Passive / Platform Controlled Investments** – as the left chart below shows, ETF or Passive investing has surpassed Active or mutual fund investing in the past few years and is scheduled to keep growing. Passive investing ignores business valuation, and rather simply buys an index which then indiscriminately buys more of the index basket of names (even if 51% of those names are trading > 10x sales). The right chart shows Platform investing managers which are algorithmic traders. Citadel is the most famous and 25% of ALL US equity volume goes through Citadel's platform. They are highly controversial not just for their size and concentration risk (Too-Big-To-Fail), but also they are simply just "trend followers" taking some margin on the volume and having the best seat on the street to study flows. They set the trend and propel it. Not a problem when stocks go up...but, someday they will be a story – and not in a good way.



3. **Leverage in the Market** – animal spirits abound as evidenced by how much hedge funds are deploying leverage relative to the past 15 years. Whether it was the Trump election or the AI trend (or both), in late 2024, leverage took off.

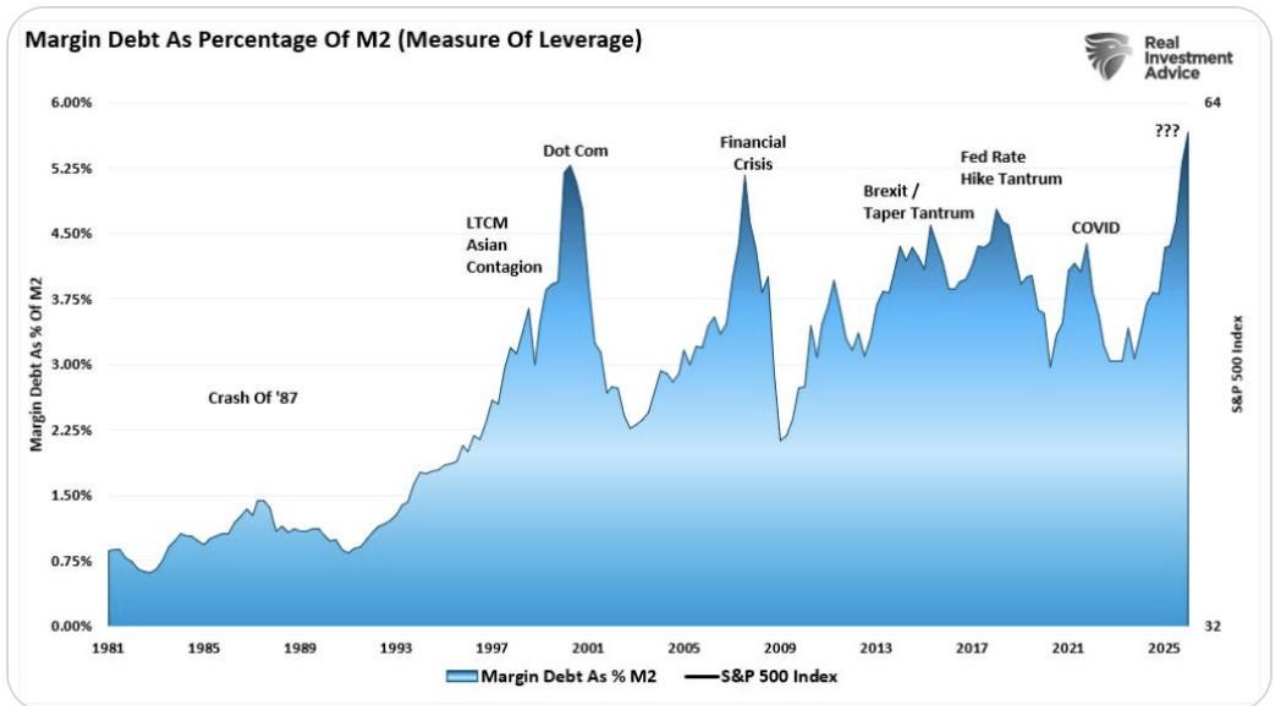
Equity strategy funds: leverage (gross asset-weighted average ratio)

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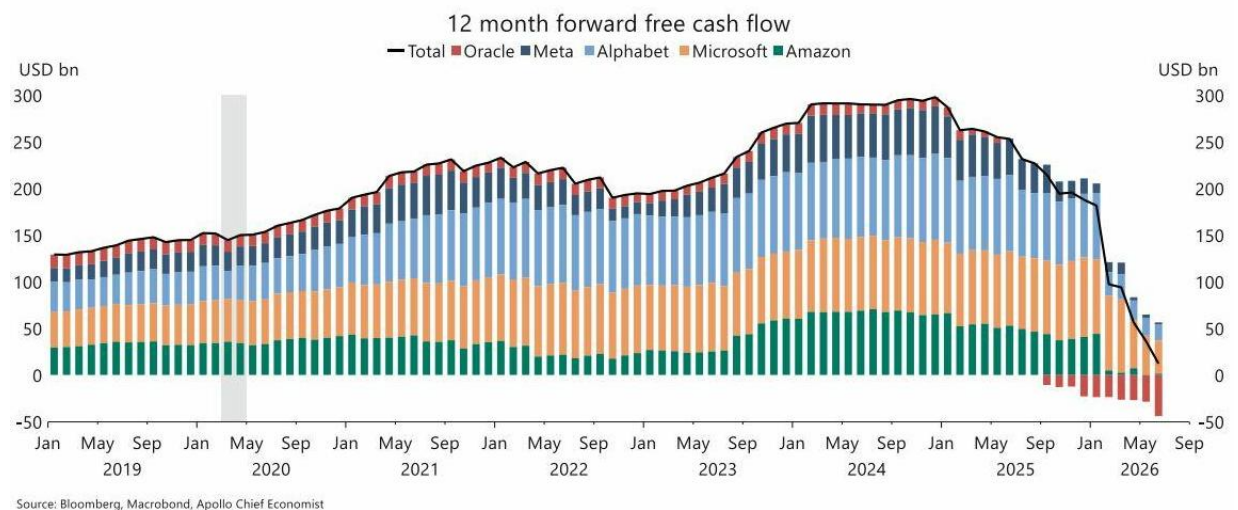


Source: SEC; Office of Financial Research (OFR)

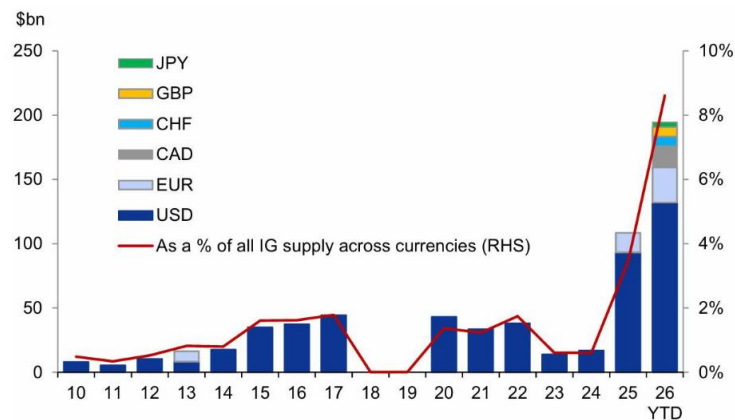
Looking back 30 years, you can see Margin Debt as % of M2 is at the same level it achieved right before the 2000 and 2007 bubble pops.



And it's not just investors who are leveraged; the AI Hyperscalers are going "all-in" on their AI capex investments. As the first chart below shows, they are utilizing ALL of their cash flow from the great cash generation these companies have had for years. Compounding the risk they are burning so much cash they now are forced to use leverage to fund capex. The 2nd chart below shows the rapid growth in Hyperscaler debt in the past 12 months.



Hyperscaler debt issuance across currencies (in USD-equivalent)



Source: Dealogic; Goldman Sachs

4. **Yen Carry Trade** – Japan has masked over its fiscal challenges via money printing. Today, the Bank of Japan (BOJ) owns 50% of Japanese Treasury bonds (equivalent to 115% of Japan’s GDP). Japan is a large net-importer of raw materials and last week it’s PPI increased at a 7.1% annual rate. The Yen has also been depreciating rapidly thereby increasing import prices. JGB bond yields are increasing. So, the BOJ has to decide, do they try to print money to intervene and save the currency, or print money to do yield curve control and defend bonds? (note: Japan citizens used to be the largest buyer of bonds as they were big savers with a 23% mid 1970s savings rate; but no longer as current savings rates are under 4% as Japan’s population is aging).

If they decide to let rates rise to mitigate the inflation many funds that have the “Carry Trade” on (lever up and borrow in Japan at low rates and invest in the USA) could be forced to unwind.

This chart below shows (in yellow) Japan’s inflation issues from the 1970s. Note two things: a) what Debt to GDP was then vs. now (1st column) for EACH country (hint: it’s a global debt problem today); and b) where bond yields went when inflation took off in the 1970s. If those 1970s yields occurred today, it would be a major problem.

Inflation shock in mid-seventies was considerable. Today, not yet!

	Mid-1970s oil shock			2026 oil shock — so far		
	Debt-to-GDP	Inflation peak	Bond yield	Debt-to-GDP	CPI inflation	Bond yield
France	20%	14%	11%	110%	1.8%	3.72%
Germany	24%	7%	10%	64%	2.3%	3.03%
Japan	20%	25%	8%	240%	1.5%	2.76%
UK	47%	24%	17%	94%	2.8%	4.88%
Canada	17%	11%	10%	112%	3.2%	3.51%
US	32%	11%	9%	125%	4.2%	4.56%

Source: Alasdair Macleod

5. **Private Credit** – as Unicus Research points out, “Blackstone’s Private Credit Fund (BCRED) is the reference asset for the entire non-traded private credit complex, the largest vehicle (\$35 Billion of assets), the strongest brand, the deepest distribution”. To oversimplify the problems in private credit:

- a) Private Credit grew massively from 2015 onward in a global search for yield in the Fed induced ZIRP (Zero rate environment).



- b) Software was the focus – approximately 25% of private credit vehicles invested in Software businesses as they were deemed “steady cash flow businesses with SAAS contracts that had a tail”. They didn’t foresee the potential AI risk that could create a contractual cliff. Suddenly non-accruals on their loan book are quadrupling quarter over quarter to approximately 2.5% in the March 31 quarter. (admittedly a low rate, but will AI accelerate that into losses?).
- c) Redemptions are growing from investors, and several funds have had to gate or halt withdrawals. Many of these funds have been forced to begin selling loans/assets to raise capital and that is creating a mark-to-market issue.
- d) Leverage – what can really go wrong is the leverage they put on these vehicles. Currently BCRED’s assets cover its borrowed money by 225%, which admittedly is a fairly comfortable collateral cushion - assuming the asset valuations are correct. The problem can be, that if AI truly disrupts software and assets worsen, private credit funds need to maintain a minimum regulatory asset coverage ratio of 150% under the 1940 Investment Company Act. Asset sales would be required to maintain that ratio– which can lead to a death spiral.
- e) Private Credit industry concentration creates echoes of 2008 when each bank was exposed to the housing bubble. Forced selling by one vehicle, can create asset mark issues for the next fund and a death spiral ensues. As Unicus points out, “the same handful of managers, Blackstone, Apollo, Ares, Blue Owl, KKR, HPS, sit on both sides of one another’s deals as lenders, CLO managers and sponsors”

To summarize, the point we are trying to make with these charts and this overview of the US Stock market and economy is that we live in a highly leveraged world that is much more fragile than many people think. Most investors store their wealth in stocks. They have been trained to do so because “buy the dip” has worked since 2000. However, a lot of this stock market appreciation has really just been monetary debasement in disguise. Furthermore, even though it has generally worked for investors in stocks, there were two notable interruptions. The first was when the Dotcom bubble burst in 2000 where the NASDAQ went down 82%, and the S&P 500 went down 50%. The second was when the housing bubble burst in

2008 and the S&P 500 went down 57%. Even in the COVID example the S&P saw a decline of 34% before the Fed's money printing restored stability to the market. Due to the easy money distortions of the last 30 years, the stock market has gone up.

However, it is interesting to note that during this time frame gold has outpaced stocks. From the end of 2000 to present, the S&P is up 474% vs. Gold is up 1,400%. Now, we do not know how much longer this Everything/AI bubble can persist. It has persisted much longer than we expected, but without additional growth in the money supply, this bubble will ultimately deflate.

We are not alone in this opinion. Seasoned and highly successful investors including: Warren Buffett, Jeremy Grantham, Stanley Druckenmiller, Felix Zulauf, Jeff Gundlach, Paul Tudor Jones and Paul Singer have made similar comments. And the thing to bear in mind is that the US Debt situation (which we will cover next) is quite dire. Historically, any severe downturn in the stock market swells the budget deficit and/or leads to more monetary accommodation. After the Dotcom bust, the Fed reduced rates to 1% which in turn blew the housing bubble. Then, after the GFC, rates were taken to near 0% + QE just as they did during the COVID crisis. The Federal Government only has one tool when it comes to stopping an economic or stock market collapse: Print Money. Printing money is inflationary, and it works until it doesn't work. It doesn't work when people lose faith in the currency.

US FEDERAL GOVERNMENT FISCAL POLICIES (and History)

Before we dive into the Federal Reserve and the changes occurring there with a new Fed Chairman, we think it is useful to review the US Federal Government's finances and the likely policy choices that have been hinted at by Treasury Secretary Scott Bessent and the Trump Administration.

For context, from a balance sheet point of view the US Government has not been this indebted since it spent aggressively fighting WWII. In that instance, US Government debt to GDP peaked at 114%. Today, that same ratio is 123%. We got here by spending \$8 Trillion fighting Middle Eastern wars in response to the 9/11 attacks and by running enormous fiscal deficits during the Global Financial Crisis (GFC, aka Big Print I) and the Covid crisis (aka Big Print II). Arguably these deficits were necessary and understandable, but sadly the underlying deficit problem has not improved much. During the GFC, we ran deficits that were 8-10% of GDP for three years. During COVID we ran deficits that were 12-15% of GDP for two years. The problem is that even after these events have passed, we are still consistently running deficits which are 5-6% of GDP. This is unsustainable without breaking the debt markets, the currency, or both.

Many forget that the US faced a similar situation in the last Fourth Turning¹ exactly 80 years ago coming out of WWII. We think it is helpful to look at how the US Government managed its balance sheet in order to manage the debt as it was incurred, because the Trump administration has signaled that a similar playbook may be in store.

When the war broke out, President Roosevelt realized we were going to have to outproduce the Germans and the Japanese. This led to the effective nationalization of the US automotive industry to build airplanes,

¹ The "Fourth Turning" is a concept from the Strauss-Howe generational theory proposing that history moves in recurring, 80-to-100-year cycles. The fourth turning is the final phase of this cycle, functioning as a "crisis" era marked by institutional collapse, cultural upheaval, and major societal restructuring

tanks, munitions and the tools of war. It also quickly ballooned Federal defense spending, creating deficit to GDP ratios of 12% in 1942 and then 27%, 21% and 21% in the next three years of the war. The US borrowed the money from the bond market, but the bond market was not large enough to absorb all this issuance. So, in March of 1942, the Fed established a program of Yield Curve Control (YCC) whereby it fixed the rates on US Federal debt at 3/8ths of 1% for Treasury bills and 2.50% for longer term Treasury bonds. Practically what this meant was that the Fed stood ready to print the money necessary to fund the war. Thus, the Fed monetized the debt. The Fed balance sheet doubled in size during the war (from \$23.3 Billion to \$47.6 Billion) as the Fed purchased \$23.5 Billion of US bonds -- pure monetization. But to be fair, the Fed did not do all the lifting, the war was good for the economy, GDP grew rapidly and M2 more than doubled. The cumulative Federal deficits during the war were \$175 Billion and a lot of that was financed privately by the banks. Recall that the country was enormously patriotic and War Bond drives led many people to store their savings in bonds. As we will see, economically, this was not a good choice.

When the war ended, the Keynesian economists of the day were convinced that the economy would fall into a recession/depression since Federal outlays on the war (equal to 45% of 1945 GDP) came to a dead stop. But they were looking at the wrong measure. All the productive capacity of the war was re-purposed and the rest of the world was in shambles and in need of a rebuild. US exports surged immediately after the war -- aided by The Marshall Plan, and pent-up consumer demand (remember the war involved rationing). Household formation grew with help from the Federal Housing Act which aided housing finance and construction; the GI bill led to more skilled workers; and the widespread adoption of the automobile led to dramatic real GDP growth in the early 1950's with some years as high as 8% real (over 15% nominal). This table demonstrates the growth:

	1946	1955
US New Car Sales (millions)	2.1	7.2
US Homes with Washing Machines	45%	80%
New Housing Starts (millions)	1.0	1.5

Because pre-war America suffered a 10-year depression we tend to forget how much economic growth had been delayed and finally came to express itself post WWII. The US fiscal picture improved too -- with the brief exception of the Korean War -- as the US Government balanced its budget and all this growth led to Federal Government debt to GDP falling to 74% by 1953.

So, in a simple summary, WWII put the US Federal Government in a deep debt hole (similar to the one we are in today), but the stimulative economic policies, favorable demographics and growth of housing, cars and appliances helped the US dig out. This is a good story, and this is what Trump, Bessent, Warsh and others have been suggesting as the cure to our current over indebted situation. If we can get substantial gains in productivity through AI and grow the economy fast enough, we can reduce the current debt burden as a percentage of GDP. We are in favor of this, and real economic growth and productivity increases benefit the well-being of all citizens. Notably, Trump and Bessent have publicly said that there should be no limit to GDP growth, and they both suggest that high single digit and/or low double-digit growth should be possible and achievable.

Again, we support this over the well-worn and broken model of the Keynesian driven Phillips Curve which suggests an inverse relationship between unemployment and inflation. Or that you have to create unemployment to control inflation. Bessent and Warsh have explicitly said that they take a supply side view of things and that by keeping rates low and stimulating capital investment, supplies grow, and thus more supply = lower inflation. This is why they reject the notion that you have to raise rates to fight inflation. Warsh has said that inflation can be controlled by curtailing the size of the Fed Balance sheet.

This Administration's emphasis on growth above all other metrics is what some, including us, have come to call the "run it hot" strategy of managing the economy. Growth at all costs.

But here is the thing. Lower interest rates, if too low, lead to capital misallocation, which does not lead to greater productivity or lower prices. Also, there is the issue of "real growth" and "inflationary growth". If we wave a wand and the price levels increase by 10% but the same number of cars get built, services provided, etc. -- did the economy really grow by 10%?

And this is the flaw/risk in the Trump/Bessent/Warsh strategy. They conveniently forget that WWII spending, and the aftermath of such, was MASSIVELY INFLATIONARY. Let's examine the facts.

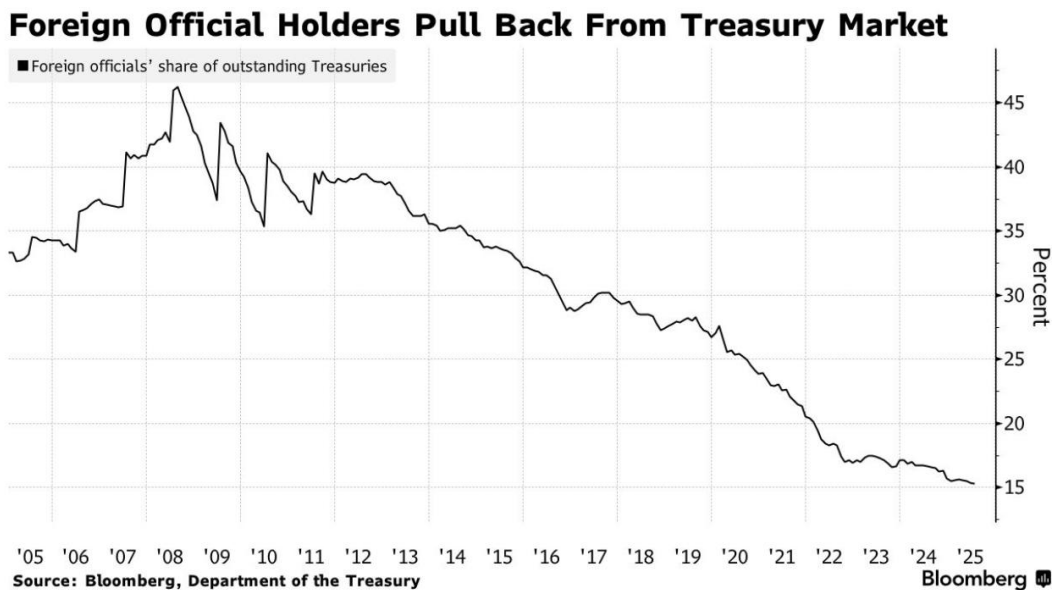
First let's look at the war-time era Consumer Price (CPI) increases from 1940 to 1948:

1940: 14.0%	1945: 18.0%
1941: 14.7%	1946: 19.5%
1942: 16.3%	1947: 14.4%
1943: 17.3%	1948: 7.7%
1944: 17.6%	

Note how the problem continued after the war post 1945 even as the deficit spending had stopped. Some of the price increases in 1947 were particularly dramatic. Every month from January to June 1947 prices were between 18.1% and 19.7% -- higher than they had been a year earlier. The 1950's saw lower inflation because the Government was nearly balancing its budget (Korean War created small deficits in 1952 and 1953). We do not have those conditions today; deficits are large and likely to grow larger.

So, during this 1940-1948 period, the cumulative price increase was 70%. (i.e., things cost 70% more after the war than they did before). In fact, these numbers are probably understating the true inflation since the M2 money supply more than tripled during this period. **People who held Treasury bonds yielding 2.5% got absolutely killed on a real return basis. It was a tax on savers.** The War cost Americans in two ways, higher inflation and if they saved in Treasury bonds, they had their principal severely degraded. Finally in March 1951, the Fed's program of fixed interest rates/yield curve control program ended, and the Fed was allowed to raise rates to fight inflation. But recall that the Government was now balancing its budget and the extreme debt to GDP imbalance had somewhat subsided.

Our view is that the Trump Administration, by pursuing a “run it hot” strategy (including lower interest rates -- more in the next section) may be able to drive stronger growth in GDP. But coupled with the deficits that we are presently incurring, this will be highly inflationary. Presently the US 10 Year bond yields 4.56% and the Fed’s standard gauge of annual headline inflation PCE is running at 4.1% while core PCE is running at 3.4%. If the bond market perceives that inflation is not under control and that it will accelerate, it is possible that bond holders become sellers driving yields higher. The chart below shows we are seeing challenges already for the US with foreigners less willing to hold US Treasury bonds.



Higher US Treasury rates are a problem because the US Government is a huge debtor (\$39.4 Trillion US federal debt + \$120 Trillion of off-balance sheet NPV value of entitlements) and currently spends \$1.3 Trillion per year on interest expense. As we’ve stated prior, this becomes a Doom Loop problem - higher rates will make the deficit worse, requiring them to sell more bonds to finance them which will create more bond supply; and *ceteris paribus* more supply means even higher interest rates.

BESSENT & WARSH’S SOLUTION -- INFLATION

So how do Bessent and Warsh solve this? It is the same solution they chose in WWII, namely yield curve control. The Fed simply says we are fixing bond rates at a tolerable level and will buy whatever bonds are offered to keep them there. OK, but buy them with what? Ah, with newly created Fed Reserves/money. AKA: money printing. However, by taking this path, the Fed is effectively saying they are willing to tolerate inflation to grow GDP and climb out of the debt hole². The bond market will respond to this and aggressively sell bonds to the Fed. This is how the Fed balance sheet goes from \$6.7 Trillion (currently) to \$20 Trillion and the third Big Print of this cycle expresses itself. It will be highly inflationary and

² When we say the Fed and Treasury are willing to tolerate inflation, we mean that they know it will happen, but they will do everything possible to deny and ignore it. More in next section The Federal Reserve.

stimulative to all assets (except bonds), including equities – but sound money assets like Gold, Silver and Bitcoin will be among the greatest beneficiaries.

A simple illustration will help show how precarious the US Federal Government finances have become. Imagine a family. The family has debt of \$390,000. The family has income of \$56,000/year. They are spending \$76,000/year. (i.e. an annual deficit of \$20,000/year). They finance this deficit by issuing more debt. Now keep in mind that the family must pay interest on their debt. Presently the interest is about \$13,000/year with an average interest rate of 3.35%. If interest rates go up to 5%, their interest burden will increase to \$19,500/year....if rates go to 8% the burden would be \$31,200/year. At 8% interest rates they would be spending \$94,200/year on an income of \$56,000. An annual deficit of \$38,200.

Who would lend to such a family? (Note: all of these numbers are the precise US Federal figures for fiscal 2026 divided by 10,000³). (Also Note: we are ignoring US off balance sheet liabilities such as social security and pensions which have a net present value of \$120 Trillion and coming at us quickly given the average age of the baby boomers is 71).

The point is that the US, for all intents and purposes, is bankrupt. It just has not been marked to market in the currency yet. The only way to get out of this trap (other than sever spending cuts or a collapse and a depression) is through inflation. Lots of it. Bessent, appearing on CNBC in February even praised Alan Greenspan and advised viewers to read Bob Woodward's biography of Greenspan about "how [Greenspan] correctly let the economy run hot."

History is full of examples of countries which have managed their affairs like this and the outcome in nearly every single one is monetary debasement, high inflation or even outright currency failure. Although the US is the world's reserve currency (fading fast), the world is shifting away from wanting to finance us further (see chart on previous page). Far too few investors understand the clear and present danger of high inflation. This is because between 1980 and 2020 they enjoyed deflationary tailwinds and lower interest rates. Those days are over.

THE FEDERAL RESERVE

On Friday May 22, 2026, Kevin Warsh became the 17th Chair of The Federal Reserve Board. He replaced Jerome Powell who held the position for two terms starting in 2018. Powell oversaw and managed the Fed's response to the COVID crisis which resulted in the largest increase in the Fed's balance sheet in its 113-year history –in absolute terms (\$4.8 Trillion). This monetary printing helped to increase the money supply (M2) by 40% in the span of just a few years. Since that print, the CPI has increased by roughly 30% above the pre-crisis level.

Warsh is well suited to the job --an insider with close ties to the Trump family, a BA in public policy from Stanford, and a Harvard law degree. He has worked at Morgan Stanley and with billionaire investor

³ US Federal debt is \$39.4 Trillion, receipts are \$5.6 Trillion, outlays are \$7.6 Trillion, and the deficit is \$2.0 Trillion.

Stanley Druckenmiller's Duquesne family office. He served in the Bush Administration and worked at the conservative Hoover Institute. His wife is the billionaire heiress to the Este Lauder fortune. His father-in-law Ron Lauder is President of the powerful lobby The World Jewish Congress. Warsh is deeply imbedded in and wedded to protecting the system.

Warsh is an interesting case because he served as a Fed Governor from 2006 to 2011 during the Fed's response to the GFC. When he was on the Board, he supported the emergency measures that the FED took during the GFC. When he left the Board, he was critical of the balance sheet expansion that the Fed undertook in that crisis, and therefore some have labeled him as hawkish on Fed policy. Our view is more nuanced: Trump and Bessent want lower interest rates; thus, Warsh was selected for a reason.

Let's examine the timeline:

January 30, 2026	• Trump announced that Warsh was his choice for the Fed Board
February 5, 2026	• Warsh said the following to The Financial Times: ○ "AI is the most productivity-enhancing wave of our lifetimes....[it] leaves the Fed space to cut rates without stoking inflation"
May 22, 2026	• Warsh said at his White House Swearing in: "I intend to fill the role of chairman with energy and purpose just the way Chairman Greenspan did" • The New York Times reported: "Warsh singled out Greenspan as his primary role model and signaled a departure from recent central bank practices by adopting a Greenspan-style, hands-on approach focused on steady policies and [relying on productivity to reduce inflation]. This shift set the stage for Warsh to model his own Fed communication style on Greenspan's famous, more deliberate, and less transparent approach".
May 31, 2026	• The Wall Street Journal: "Kevin Warsh Wants the Fed to Think About Inflation Differently" ○ "Warsh prefers looking at trimmed-mean gauges (the index published by the Dallas Fed) rather than the standard core PCE. He argues this better filters out extreme, one-off price distortions caused by geopolitical shocks or tariffs to find the underlying inflation rate" ○ Our Note: currently the Dallas Trimmed PCE shows 2.4% inflation. This compares favorably to headline PCE of 4.1% and core PCE of 3.4%. Also note that in answers to a confirmation question he stated that he "cares more about the inflation number to the left of the decimal point than the numbers to the right". (i.e., he wants inflation to start with a 2, not a 3. But also implying that 2.4% might be close enough to declare victory).

Given this backdrop, we thought there was some possibility that he would offer rate cut clues or even a rate cut at his first meeting. But we were wrong, probably in large part because conditions on the ground got worse and inflation has risen since the launching of the war on Iran and oil's price spike. Unfortunately for Trump and Warsh, this fed into the PCE numbers which came out after his selection. Between January and May, headline PCE increased almost linearly from 2.8% to 4.1% and the more important number, Core PCE went from 3.1% to 3.4% over the same time span. So, in June Warsh was looking at having his first meeting and press conference in an environment when inflation was clearly rising. He could not cut or be a dove and maintain credibility.

Nevertheless, Warsh is adaptable and his first meeting and press conference were very instructive. First, he eliminated all forward guidance and declined to offer a dot for the dot plot which Fed Governors use to show their best guess at future rates. In the remaining dot plot, 8 of the other 18 Governors projected a rate increase in 2026. The market now handicaps the 2026 rate outlook as: 47% chance of a rate hike in 2026, a 37% chance rates remain unchanged, and a cut is only a 16% probability. We believe they will cut before year end.

In the press conference Warsh stated repeatedly that price stability was their top goal and he assured the market that they would achieve it. He said it so many times it almost seemed like he was trying too hard. He also began shifting the Fed's intellectual framework away from Powell-era emphasis on managing aggregate demand and toward an emphasis on productivity, supply-side growth, monetary discipline and alternative measures of underlying inflation. The Board voted unanimously to leave rates unchanged. Because he offered no forward guidance, market participants could read the conference in whatever way suited them. Most saw hawkishness and the "Debasement Trade" has been under pressure since.

But as we try to project where the puck is going at the Fed, we see Dovish clues via the following:

- Warsh established numerous "task forces" to examine how the Fed functions. Several of these provide important clues on where he may be going. In particular, task forces on existing data sources and whether they are reliable, including re-examining how inflation is measured and also a task force on AI and productivity and their impacts on inflation and the labor market.
- He also explicitly addressed that inflation was elevated because of supply shocks associated with the Iran war and higher energy prices. And more recently he cited that in the marketplace, inflation expectations have been dropping and even went so far as to suggest it was because of what he said in his press conference.
- Treasury Secretary Bessent has also said in recent Senate testimony that inflation's increase is a "short term blip because of the war".

A huge tell on where this is going is that right after Warsh's first press conference, President Trump was asked for his reaction. Trump expressed confidence that Warsh was doing well and had it all under control. We read this as, the fix is in.

Our scenario is that this Fall, the task force will report back with a new set of lower inflation numbers, actual inflation may subside somewhat since oil has returned closer to its pre-war baseline, and Warsh will have the room to bully the Board into cutting rates. He has even alluded to this with the phrase that the Board may have to have a "good family fight" over rate policy.

The bottom line is that the job of the Fed Chairman is to gaslight the American public into believing that inflation is under control while inflating enough to keep the system from collapsing from the debt burden. Just this week in his testimony to Congress he said:

Warsh says Fed has 'no tolerance' for high inflation but provides no hints on next move

By CHRISTOPHER RUGABER The Associated Press, Updated July 14, 2026, 5:54 p.m.

It is a tough job, and it requires an intelligent, smooth and skilled liar. Each Chairperson comes with a different style: Greenspan the wizard maestro, Bernanke the academic genius, Yellen the benevolent grandmother, Powell the professional technocrat, and now Warsh the handsome used car salesman. Different wrappers, same package.

One final point on Fed Chairman Warsh. He has said that he believes that the Fed balance sheet is too big and that it should be reduced. He correctly points out that Fed balance sheet growth leads to M2 growth which creates inflation. What he fails to mention is that in a heavily indebted system like ours, credit expansion and inflation absolutely must occur or else the entire debt structure topples over. We saw this in the GFC, the Repo crisis in 2019 and in COVID. If Warsh reverses the current Reserve Management Program of balance sheet expansion and begins to meaningfully reduce the balance sheet, we will enter a sovereign debt crisis very quickly. And the dots that he is failing to connect are as follows. If he cuts rates and we get more growth we get more inflation too. At some point that inflation leads to a crack in the bond market and we go into a loss of confidence in the currency and debt. Rates spike, bonds plummet and the Government is unable to finance itself. The only buyer for Government debt is the Government itself with newly printed money. This is exactly what happened in COVID when the market for US Government debt went “no bid” and Powell was forced to come into the market and print money to buy everything. Warsh talks about reducing the Fed balance sheet, but he knows it’s a fantasy.

Even Warsh himself has stated that he is in favor of a smaller Fed balance sheet under **normal (!!!)** economic and financial-market conditions, **while recognizing that the Fed may need to expand its balance sheet during genuine crises or periods of severe market dysfunction.** So, there you have it, we will shrink the balance sheet, but if we get a crisis we will print again like we always do. Not very reassuring Kevin.

If we combine these comments with the comments made by former Treasury Secretary Hank Paulson who several months ago warned that the market for US Debt is precarious and suggested that the Fed should have a “break the glass” plan in case of bond market dysfunction, it’s clear they understand the risks that we so clearly see.

ZOOMING OUT: THE US & FED’S “SONG REMAINS THE SAME”

Oftentimes it amazes us that markets are so fixated on what the Fed is saying.... as if Bessent or Powell or Warsh could actually “fix” the compounding debt problem. As if there was a Genie to put the debt and deficits back in a bottle and think there’d be no harm to the global economy. As if the \$120 Trillion of off balance sheet entitlements aren’t coming due with the average Baby Boomer now 71. As if the US did something extreme like “cancelling” the US debt held by foreigners, that would not impact debt holders like pension funds that need that interest income to fund global consumers – who, in turn, buy American goods.

Heck, even in 1787 John Adams discussed with Jefferson this issue of Monetary Debasement:



The Silver Wig
@silver207141

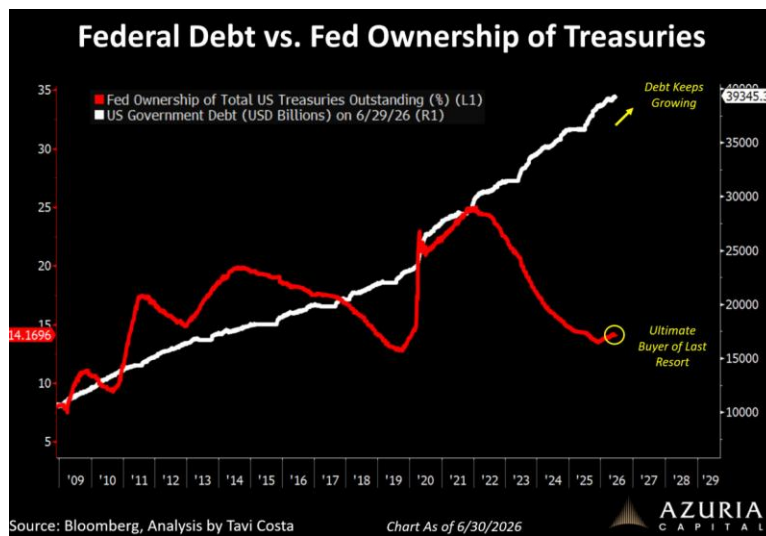
X.com

“All the perplexities, confusion, and distress in America arise, not from want of honor or virtue, but from the downright ignorance of the nature of coin, credit, and circulation.”

–John Adams in a letter to Thomas Jefferson, 1787

Stated simply – it’s nearly impossible to fix this 50+ year global debt problem. Despite Polymarket and Kalshi bets on Warsh’s level of Hawkishness– the Fed printing continues.

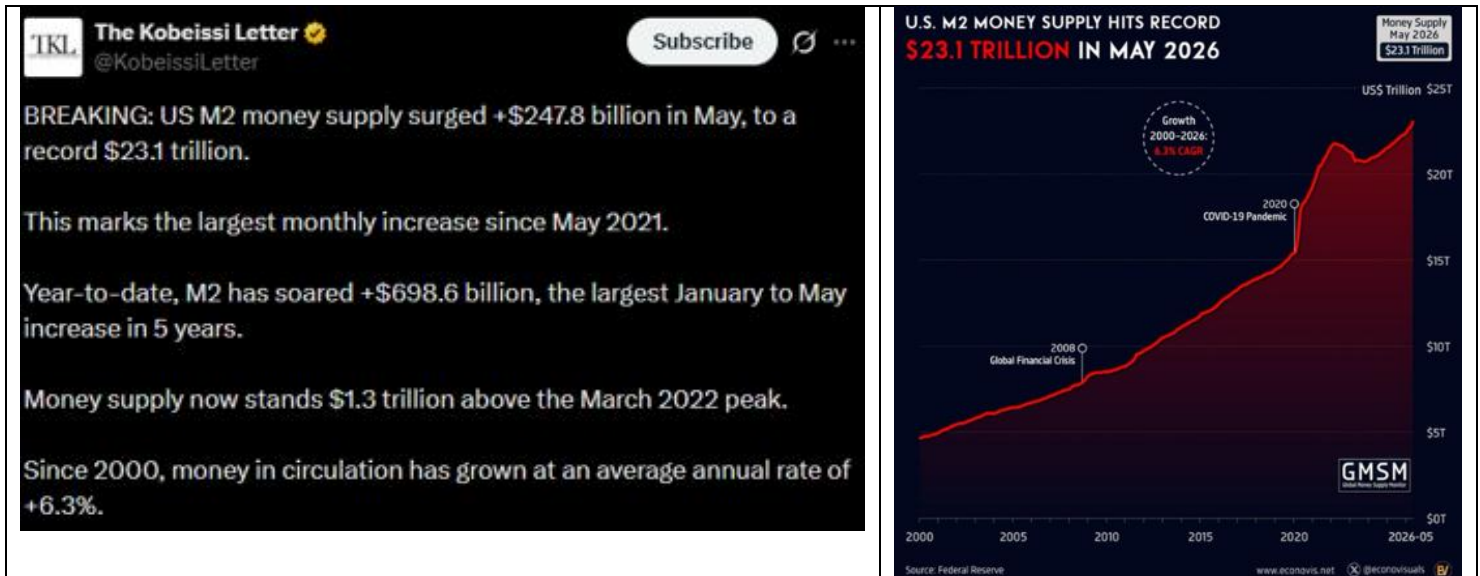
- Our friend Tavi Costa points out, US Debt keeps growing and ultimately, the Fed’s need to monetize that debt is correlated.



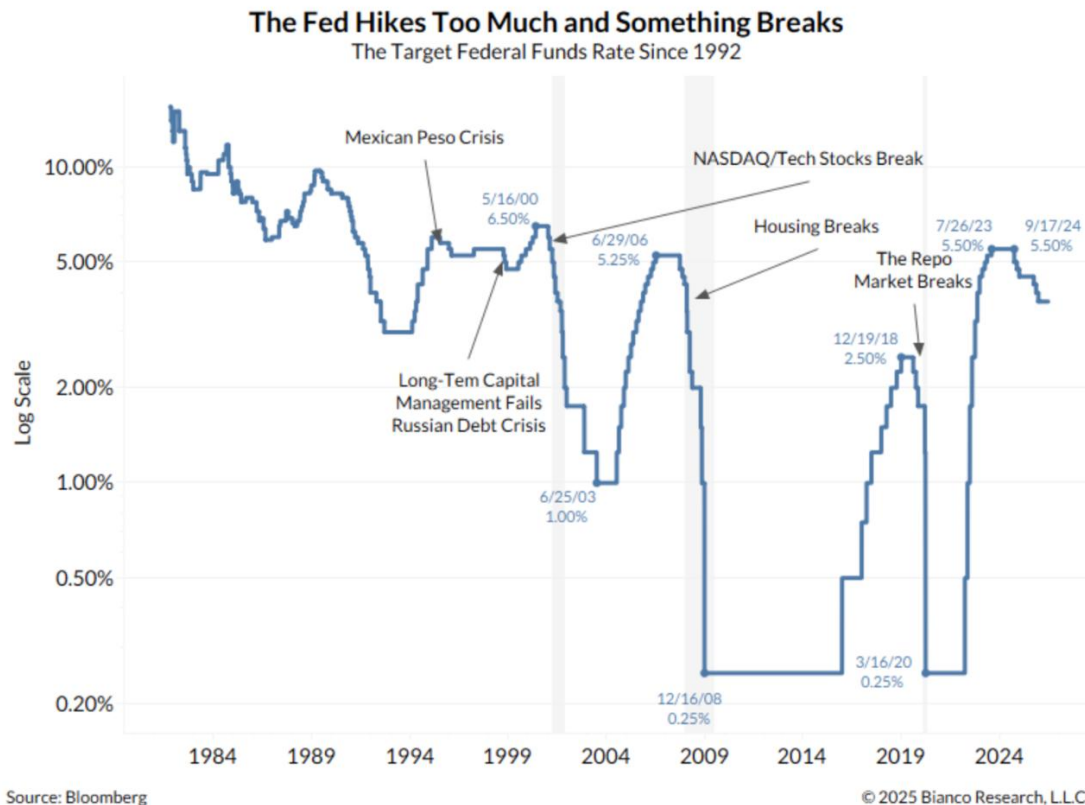
- Tavi also shows: US Money Supply growth continues to grow and we just saw the largest monthly increase in the past five years.



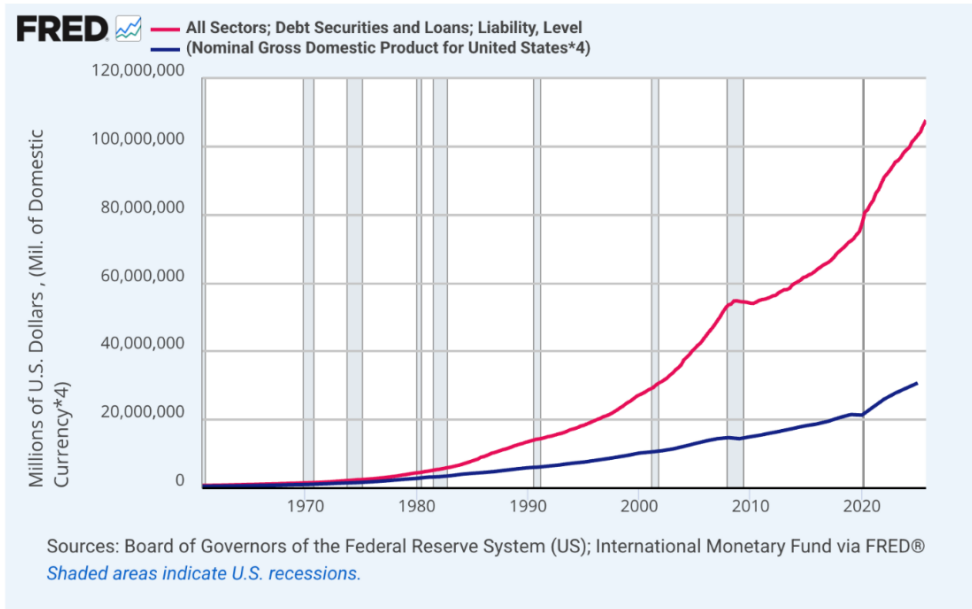
- Similarly on the US Money Supply, the Kobeissi team points out:



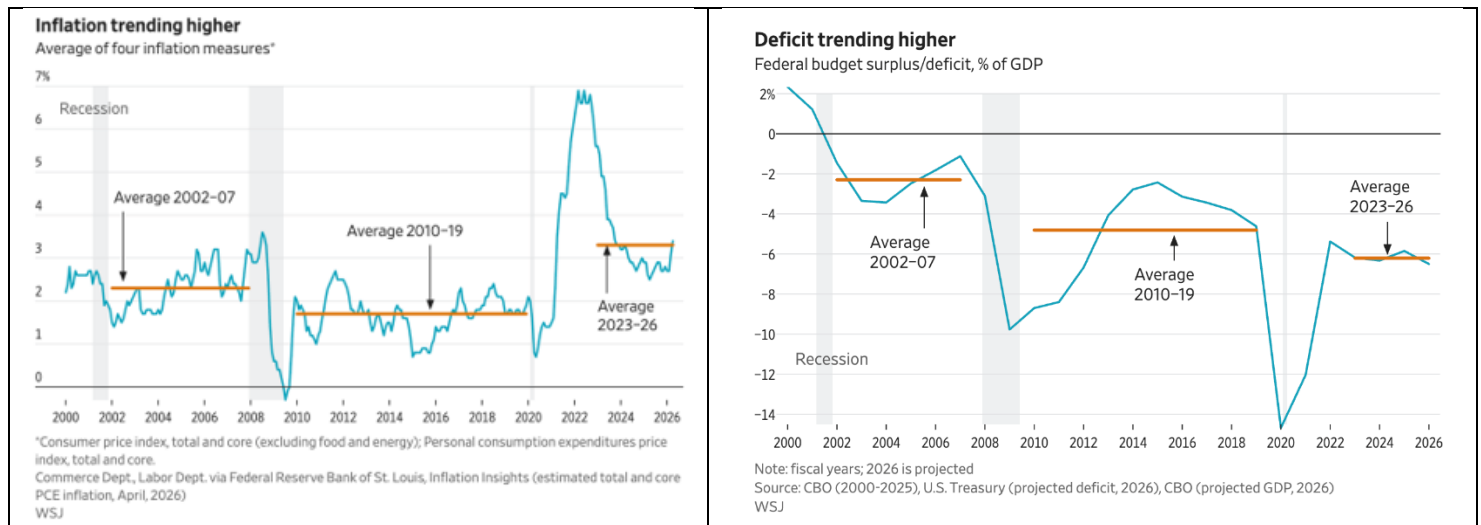
- As Bianco Research points out, Warsh can imply he'll hike rates, but each time the Fed has hiked rates in the past 30 years, something in the markets breaks – forcing the Fed to capitulate and quickly turn dovish / print again.



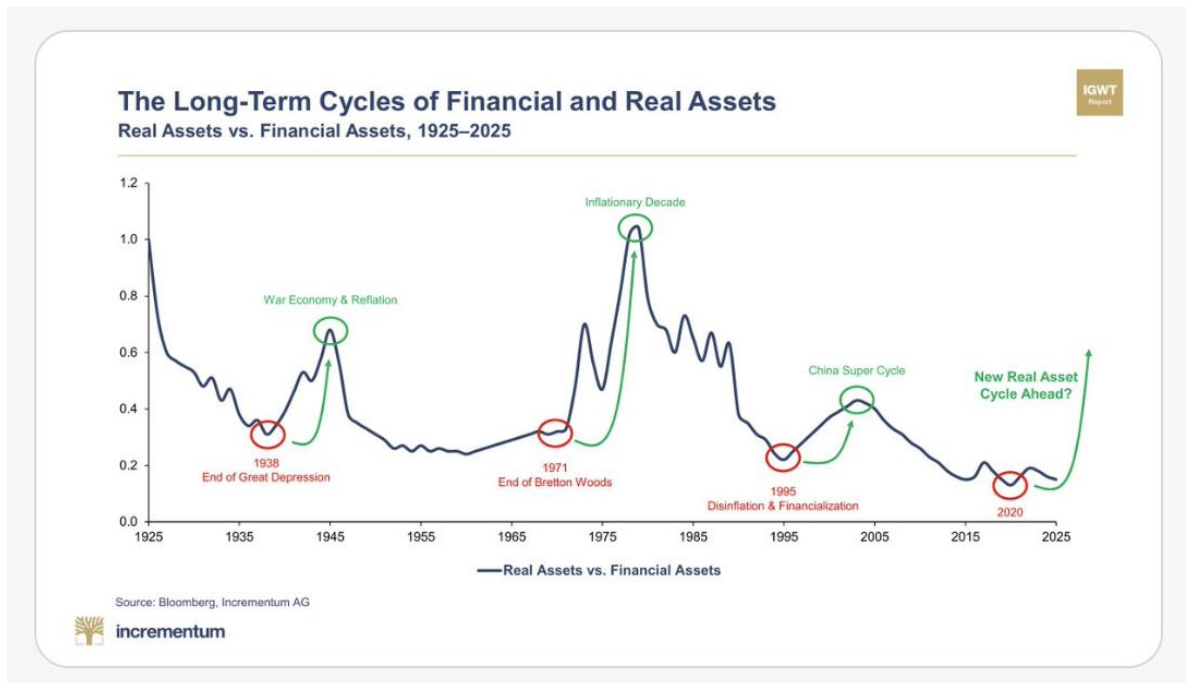
At the end of the day this is a math problem. This next chart shows this. The top (red) line is the growth in total debt in the system. The bottom (blue) line is growth in the GDP over the same time period. As you can see, debt is growing more rapidly than GDP. The problem is the GDP is what generates the income to pay interest on the debt. Notice the little blue line GDP blip in 2008? That little wobble almost destroyed the financial system until the Fed printed a ton of money. Same with COVID in 2020. There is no way to escape this other than fiscal austerity (leading to collapse), serious inflation or a monetary reset.



As the following charts show, things get worse with each cycle.



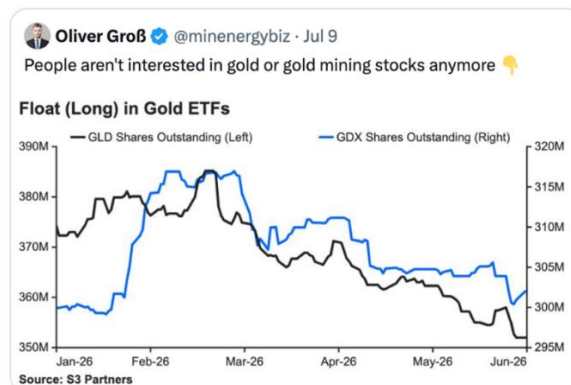
And in these inflationary cycles, Real Assets far outperform Financial Assets and stocks.



GOLD

Gold bullion prices have remained heavy in the 1st half of 2026 given a) the War which spiked oil and that drove investment flows to oil and oil related stocks and also caused many central banks to sell gold in order to fund gold purchases, b) higher oil stoked inflation fears which also drove up bond yields and those are headwinds for gold prices, c) Kevin Warsh's "tough" inflation talk also has created headwinds, and d) investment flows can cause temporary pullbacks which are just that temporary – i.e., as we discussed earlier – in our ETF Passive / Trend Following Platform markets – every asset is momentum based. That's why gold and silver shot up so much in Q4 2025, but then AI and oil stocks took the baton this Spring.

However, it's a tale of two cities in terms of the Far East's HUGE demand for gold vs. the West's apathy. As we can see from the next schedule, the shares outstanding in the leading Gold ETF and Gold Stock ETF have been declining since the price peak earlier this year.



But this is the story in the West. Things are remarkably different outside of the US. Note how the next schedule shows that in 1H 2026, while Western investors sold gold, Asians bought.



In particular, the Chinese Central Bank has significantly stepped up its buying in the 1H 2026.



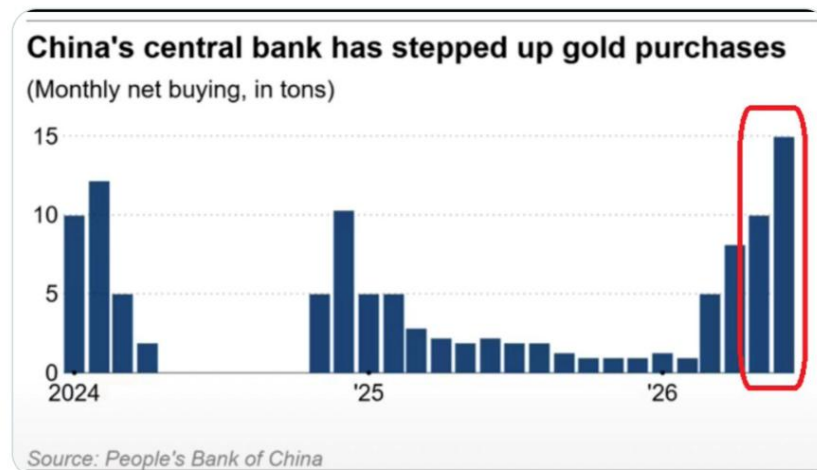
Otavio (Tavi) Costa @TaviCosta · 22h

Ignore the daily geopolitical noise.

The chart below is the only one that really matters this weekend.

Act accordingly.

[open.substack.com/pub/tavicosta/...](https://open.substack.com/pub/tavicosta/)



We see this pattern of gold moving from West to East as reflecting the changing nature of geopolitics and world power. The same thing happened when the US assumed world leadership after WWI and Britain

and Europe lost the first-place position. In the late 1930s, early WWII period, Gold flowed from Europe to the US as the US would only take US\$ or Gold for US exports to Britain. The same thing is happening now as the relative power of the US declines and China assumes a larger role. In fact, this is why Gold has been the leading US export for the last two years. It has helped with our trade balance. But we view this as short sighted. We are selling the family jewels to pay the bills. It's likely that China, which controls rare earths that are necessary for US military weapons, is demanding Gold as compensation for these minerals which China exports to the US, just like we did to Britain in the 1930s.

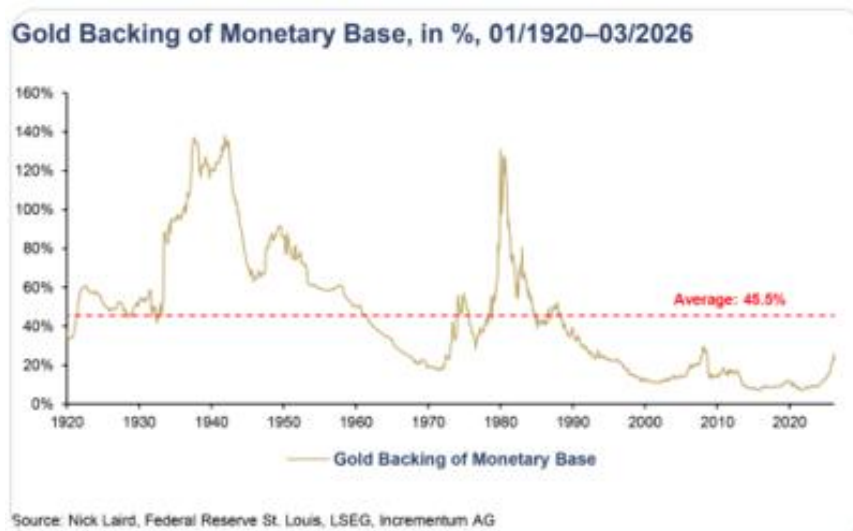
CRITICAL POINT: In our opinion, Financial War is escalating rapidly between the West (US/Europe) and Russia/China/Iran. As such, gold is replacing US Treasury Bonds as the global reserve asset. The signs are everywhere:

- Foreigners selling US Treasuries
- Foreigners accumulating Gold
- BRICs led Gold exchanges (Shanghai/Hong Kong/Saudi Arabia) displacing NYC's Comex and London's LBMA
- The US\$ share of the world's trade settlements is declining meaningfully
- Gold is becoming the net settlement layer that US Treasuries used to serve

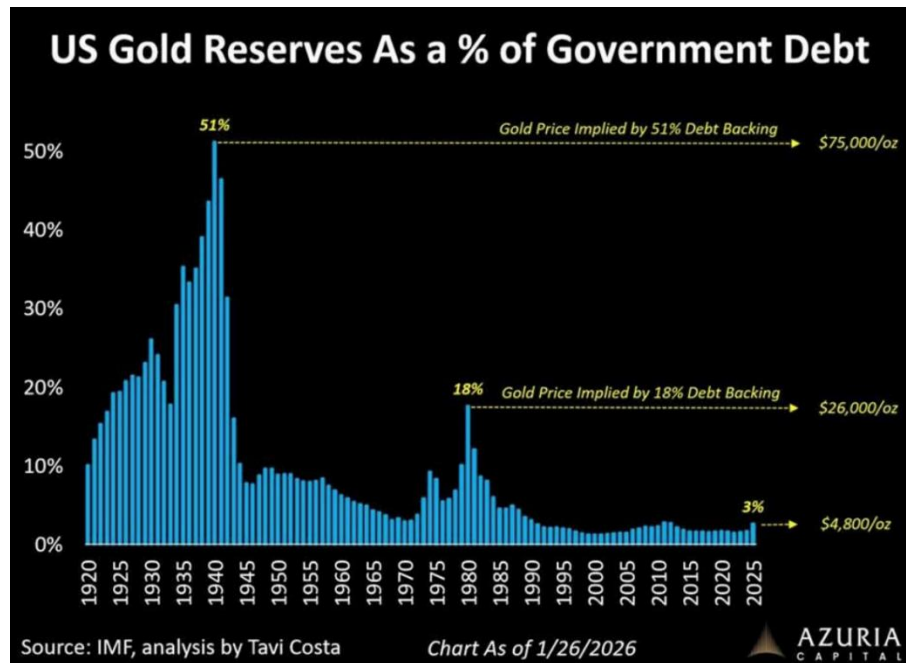
This is big picture enormous, the tectonic plates of world finance are shifting.

And the amazing thing is most US investors still have not picked up on this. Think about it. How many people that you know have an allocation to Gold or Gold stocks? Not many, right? Even if they do it is probably small relative to their other investments. And even though Morgan Stanley recently changed its recommended investment weightings from 60% stocks, 40% bonds to a new configuration: 60% stocks, 20% bonds, 20% Gold -- not many people have actually implemented that. We are still very early in this Gold bull market. It is nowhere near being a mania (something we expect before it is over).

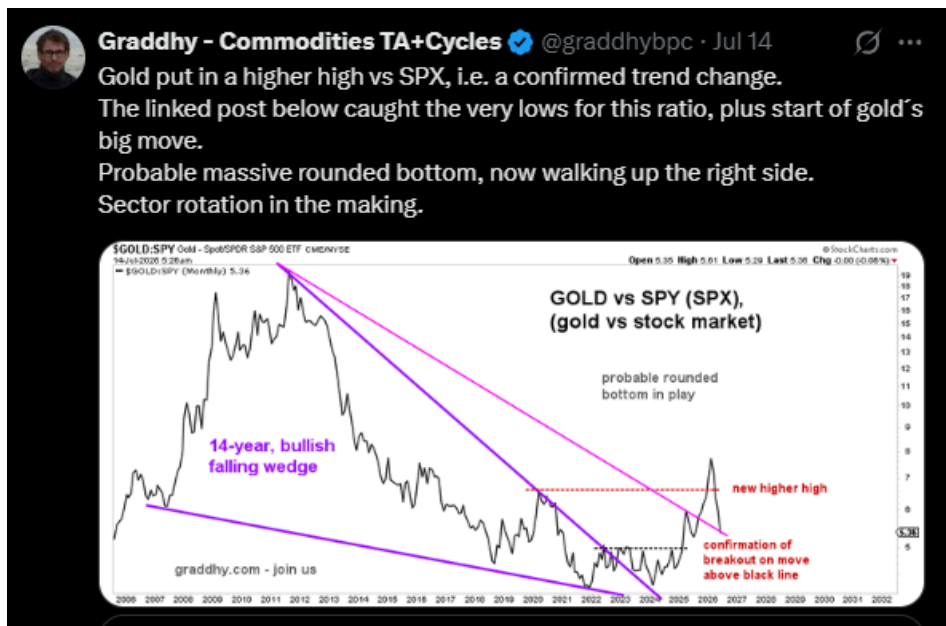
Our friend Ronnie Stofferle's chart below shows just how early we are in this Gold cycle + how cheap Gold prices remain in global markets. It shows that the US Monetary base is only 22.4% covered by the US's owned Gold (assuming it's actually there in Fort Knox). The average coverage ratio since 1920 is 45.5% and the 1980 ratio was 131% (which would = a US\$27,000 gold price today)



Because the US is so indebted, it is helpful to look at the Gold the US holds and compare it to the outstanding public debt over time. Note that the US Gold Reserves presently cover less than 5% of the public debt outstanding. Historically the coverage has been much higher. The yellow lines show the Gold price necessary to provide historical rates of coverage. As you can see these are all much higher prices.



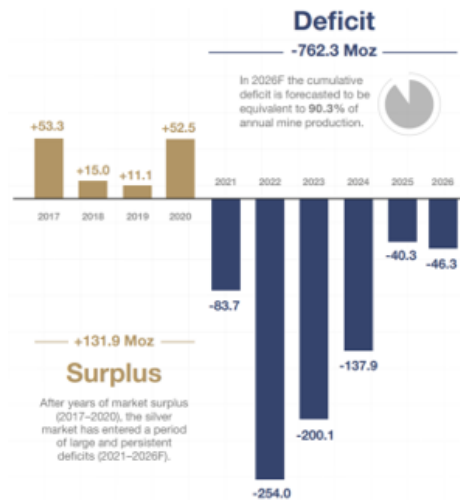
Finally, looking at the technicals on Gold bullion prices, the following tweet by Graddy looks at the ratio of Gold bullion prices vs. the S&P 500. As he points out, this 1H 2026 correction in Gold prices is simply a back test to the breakout we saw in Q4 2025. It's likely that Gold prices will move higher soon after we finish this back test of the breakout.



SILVER

Similar to the Gold bullion, the fundamentals for silver remain outstanding. So we'll keep it brief and point you to our Q4 2025 and Q1 2026 letters on our website for more detail on the great silver story.

In essence, silver remains in high demand both for its monetary properties as Gold's sister, as well as its industrial uses (including solar, AI and EV cars). Silver's supply and demand picture remains in a deficit albeit not as large as the past few years as the chart below from the Silver Institute shows. Yet forecasts are calling for a reacceleration into deeper deficits given the outlook for the next 3 years.



Below we see a longer term (1972-present) look at Silver's technical picture (on a LOG basis). It's a cup and handle pattern. It's back testing now to its handle breakout point of \$50. Typically, the next move is a big powerful move. Charts like this are why some are bullish thinking Silver can breakout to \$200-\$300 per ounce fairly quickly once we resume the bull market. We agree.



GOLD AND SILVER MINERS

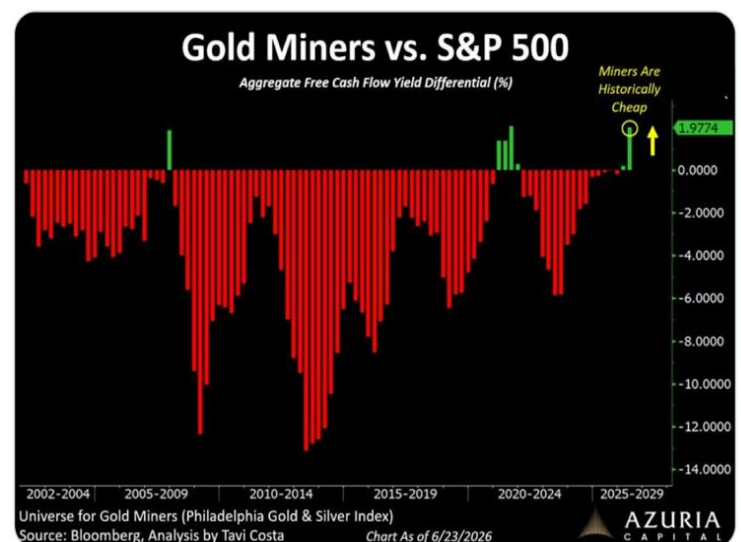
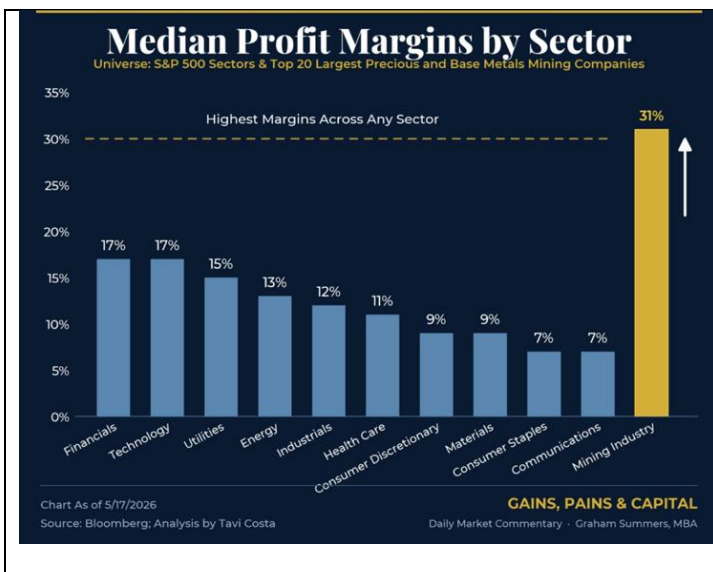
As the prices of gold and silver have corrected sharply from their January 30 peaks, the miners have corrected as well. Peak to trough, gold is down ~27% and the gold mining stocks are down ~35%. This is impressive because the mining stocks generally amplify gold moves by 2-3x. We think the miners are relatively stronger than in past cycles because even at the January peak, they remained cheap on a multiple to cash flow basis.

Precious metals mining is a business with a lot of operating leverage and higher metals prices lead to large increases in profitability. Industry wide the average all-in sustaining cost (AISC) to pull an ounce of gold out of the ground is approximately \$1,500. As the table below shows, profits can accelerate quickly as gold bullion prices increase.

	January 2025	Today	Recent High Price
Gold Price	\$2,635	\$4,000	\$5,000
AISC (cost)	(1,500)	(1,500)	(1,500)
Gross Profit	\$1,135	\$2,500	\$3,500
GM%	43%	63%	70%

Notice that at the recent high price of \$5,000, gold prices went up 90% vs. January 2025 and mining profits tripled. That is operating leverage. With higher gold prices these miners become cash generation machines. From early 2025 to present, average gold miner profits have gone up 3x. Some even more.

The next charts by Tavi Costa and Graham Summers show this high level of profitability.



But of course, what has happened is that with the corrections in the metals' prices, many shortsighted investors have concluded that perhaps the bull run is over and gold and silver prices will return back to

their base-line levels from 2024, and that these exceptional profit margins will disappear. We disagree about the future direction of prices. We'd also point out that even if gold and silver prices just stay where they are today, these companies will be highly profitable and are undervalued on a market value to cash flow basis. Again, look at the table on page 27 and at today's profit margins vs. January 2025! In a moment, we will present a few examples. But first let's examine what has happened to sentiment.

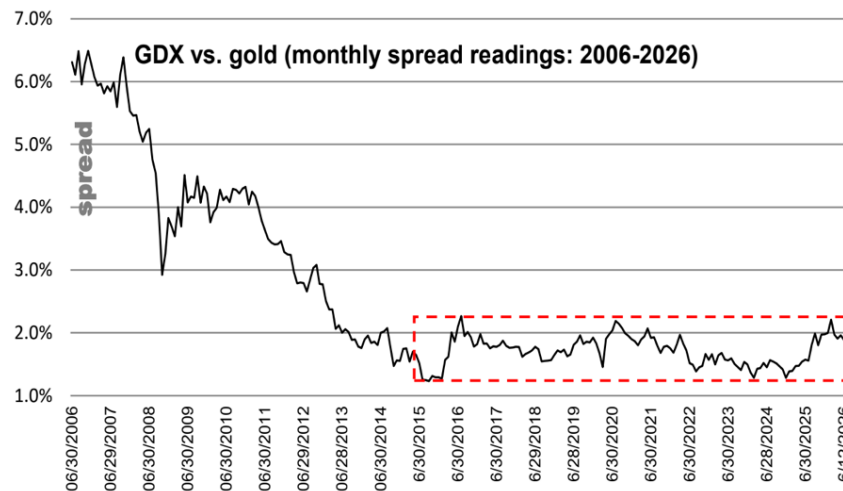
The next schedule is a market breadth indicator and measures the percentage of gold mining stocks which exhibit a technical point and finger buy or sell signal. It correlates very well with market tops and market bottoms. At the top of this chart, 100% of the gold miners are exhibiting bullish chart patterns, at the bottom 0% of the miners are exhibiting the same.



What jumps out at us from this chart is that the gold stocks are at an oversold level which has historically been the basis for large upward moves. For example, 2015 was a very good time to buy gold stocks before the GDXJ went up 73% in 2016. If you bought in the 2017-2018 low, you then enjoyed gains of 40% in 2019 and 30% in 2020. The 2022 low led to gains of 7% in 2023, 16% in 2024 and 172% in 2025. Recently this indicator touched 5%, a level that has only been seen a few times over the past 15 years and has ultimately led to much higher prices.

Another measure of gold stock valuation is showing a pattern that we believe is very encouraging. This chart is a spread reading which divides the price of the largest gold mining ETF, GDX, by the price of gold. Historically, if you go back 20 years the ratio of the GDX to the gold price was 6% or higher. The gold and gold stock bear market from 2011-2015 was almost an apocalypse for gold stocks (we know; we were there) and the gold stock index fell to a record low compared to gold in late 2015. The new bull market kicked off in 2016 but as the chart shows the ratio has been constrained by the upper boundary of the red box on the chart. What this tells us is that real interest in gold stocks, the kind that existed in the bull market from 2000 to 2008, has not returned yet and is still in our future. We believe that this will

occur when the US stock market stumbles, money printing at scale resumes and gold and gold stocks become “go to” investments for the Trend Following and passive index funds. As the chart shows the stocks would need to triple in value vs. the metal to attain their prior valuation level. Keep in mind that if the metal goes up in price too, a relative tripling could mean an absolute move well above 3x.



The gold and silver stocks remain undervalued in spite of their outstanding performance last year. To illustrate, we outline two of our favorite companies that represent large holdings in our portfolio.

Case Study # 1: Aris Mining (NYSE: ARIS); Market Cap: \$3.0 Billion (USD)



Aris is an emerging mid-tier producer with two operating mines in Colombia (Marmato and Segovia) and two large development projects, one in Colombia and one in Guyana. In 2025, they produced 257,000 ounces of gold. Their average selling cost was \$3,526/ounce and their average mining cost (AISC) was \$1,705/ounce. So, their gross mine profit was \$467 million. In 2026, they have guided production between 300,000 and 350,000 ounces at similar costs. The mid-point of guidance equals a 26% growth in ounces

produced. They have plans to increase the production in the existing mines after 2026 and their target is to become a 1 million ounce producer within 5 years. In the Q1 2026, they generated EBITDA of \$212 million (a run rate of \$800 million per year which is the same as the Bloomberg consensus estimates). So, the Company is trading at only 3.75x EBITDA. This compares favorably to the average EBITDA multiple of the S&P 500 which is currently 17x and even more so compared to the MAG-7 stocks which trade at an average multiple of 28x.

If they are able to increase their production and gold prices remain at this level or higher their EBITDA will grow substantially in the next four years. Holding gold prices steady, Bloomberg analysts estimate EBITDA of \$1.2 Billion in 2027 and \$1.4 Billion in 2028. So, the Company's enterprise value is only 2x estimated EBITDA two years out.

We think this stock has a lot of upside. How much? Let's examine the optimistic case. Assume in 5 years they get production to 1 million ounces/year and their mining costs grow at 12%/year due to inflation. (SG&A same growth). Assume the gold price goes to \$10,000/ounce in 5 years. Assume the market starts recognizing the cash generation capacity of the gold miners and awards them a market multiple of 10x EBITDA (it is not far-fetched, some traded at 20x in the last large bull market for gold stocks).

In this best case scenario, Aris would generate \$6.8 Billion of EBITDA and have a market value of \$68 Billion. That is stock upside of 22x their present market value! Of course these are ideal conditions, but that is a large margin of error and a lot of asymmetry. Even if gold prices remain flat and they only achieve the Bloomberg consensus EBITDA of \$1.4 Billion in 2028, this could lead to a market value of \$11.2 Billion if the EBITDA multiple were to expand to 8x. That is a 3.7x upside vs today's value!

Investors do not like or understand the gold miners. To be fair, it's a difficult business. They will never enjoy the market multiples of software or networking businesses like Apple, Amazon, Google and Microsoft. But, cash is cash and miners that can generate EBITDA yields of 26% are severely underpriced.

Case Study # 2: Avino Silver and Gold (AMEX: ASM) Market Cap: \$1.0 Billion (USD)



Avino Silver and Gold is a mid-tier producer of mostly silver with some gold and copper credits. They operate two mines which share one mill in Mexico's Durango Province, a generally safe area free of cartel activity. In calendar 2025, they produced 2.6 million silver equivalent ounces at an average cost (AISC) of \$23.75/ounce. With an average silver selling price of \$44.70 per ounce during the year their average margin was \$20.95/ounce. So, at the mine operating level they had contribution of \$54 million. After SG&A, EBITDA for 2025 was \$28.5 million. However silver prices today (\$60/ounce) are substantially above last year's average price and in Q1 of 2026 they had EBITDA of \$20 million. Bloomberg analyst's consensus for 2026 EBITDA is \$80 million. So, the Company is trading at 12.5x EBITDA.

This doesn't seem as cheap as others, but what the market is doing is paying for their future growth profile and the price optionality of silver. One of the two mines that Avino is operating is relatively new and is ramping up production. The Company is projecting that their silver equivalent ounce production will grow to 2.8 million this year, 2026, 4.0 million in 2027, 6.7 million in 2028 and 8.0 million in 2029. Furthermore, the price of silver is now \$60/ounce but in the most recent run up it hit \$120/ounce. We believe that the price of silver is heading to \$100 and then ultimately to \$200 per ounce over the next few years. If for example silver goes back to its \$120 high later this year it would mean their average selling price this year could be \$80 and at that price, they would have EBITDA of \$140 million. Making their present multiple a more reasonable 7.1x. Furthermore, if they execute their growth plans and achieve production of 8.0 million ounces in 2028 and the silver price is \$200/ounce they would earn EBITDA of \$1.4 Billion in 2028! Their current market capitalization is lower than this. Assuming they maintain an EBITDA multiple of 10, the stock will be a 14x bagger! Now once again, there is no guarantee that they achieve this production growth and no guarantee that silver goes to \$200/ounce, but the upside optionality or asymmetry of this investment is clear. We strongly believe they will grow production and silver prices will go up. If it only ends up being 2-3x our money in the next few years, we'll take it.

These are just two examples of a portfolio of over 50 names all of which have a lot more upside than downside. Not all of them will work, but some of them will beat expectations. You can see why we are excited for the next up leg of this bull market, and we are very confident that if this bull market in gold and silver continues (and we strongly believe that it will), then our portfolio should at least double and perhaps triple in value. All we need to do is be patient and wait for the next leg up to begin.

CONCLUSION

It has been a grinding 1H 2026 in our space. The negative sentiment surveys are among the lowest in the past 30+ years. Yet we remain upbeat given how cheap our names are in the portfolio and given the macro outlook. \$39 Trillion of debt won't go away, \$120 Trillion of entitlements aren't even in anyone's focus, and math is math. Eventually, the broader investor universe will find our mining names. And we are here for it. Thank you for your patience, belief and trust in us.

Larry and David

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