EMA GARP Fund, LP. --- Report for the First Quarter ended March 31, 2022

KEY TAKEAWAYS

- **Historical Review of the World Monetary System (1944-2022)**
  - 1940-1960: Bretton Woods ’44; tame period with “King Dollar” tied to a loose gold standard
  - 1960-1971: Inflation and Deficits spur a run on Gold (London Gold Pool / France and de Gaulle).
    - August 1971: Gold run drives Nixon to close the gold window
  - 1971-1980: Gold compounds at 31% per annum for the entire decade
    - July 1974: “Bretton Woods II” – the Petrodollar deal with Saudi Arabia led by Henry Kissinger & William Simon
  - 1980-2010: Volcker “Whips Inflation”; Technology deflation (computers in 80s; Internet in 90s); Rise of China post WTO acceptance in 2000s also deflationary
  - 2010-Present: Money Printing by global central banks
  - 2022-Future: Central Banks are trapped between inflation and an over-levered System. The “takings” of nearly 1/2 of Russia’s FX Reserves is a big deal

- **Federal Reserve Watch**
  - Fed finally admits that Inflation is NOT “transitory”
  - Fed “talking tough” and ultimately bluffing about fighting inflation – but they are trapped as rate increases / QT will break the economy and markets
  - Fed will be forced to either (i) let inflation run hot to keep over-levered system intact or (ii) taper but when markets break, the Fed will return with QE and money printing
    - Sound money will surge as all realize that the Global Central Banks will print into perpetuity
    - Got Gold, Silver and Bitcoin?

- **4 Key Catalysts for Our Portfolio**
  - #1: Inflation and negative real yields will drive further Gold, Silver and Bitcoin demand
  - #2: Broader markets will realize the Fed is trapped
  - #3: Alarm bells for all Central Banks given the taking of Russia’s FX reserves
    - $12 Trillion of FX reserves outstanding; More of it will seek a sound money safe harbor
    - Gold is typically Central Banks’ chosen safe harbor, and increasingly so over past 5 years
    - Bretton Woods III is upon us – a multi-currency de-dollarization in global trade
  - #4: Bitcoin - early stages of a massively growing sound money ecosystem
    - Demand – rapidly growing; huge adoption; still early in that cycle
    - Supply – most scarce financial asset in the world. Immutable and decentralized.

- **Portfolio: How We are Positioned**
  - Diversification is key
  - Gold and Silver Miners (75-80% of Portfolio); Bitcoin and related VC investments (20-25%)

RESULTS SUMMARY

This is the EMA GARP Fund L.P. report for the first quarter of 2022 ended March 31. For the month of January, the Fund decreased in value by -6.56%. In February, the Fund increased in value by +7.05%. In March, the Fund increased in value by +6.56%. For the quarter, the Fund increased in value by +6.59%.

Quarterly	Return*	Cumulative
Q1 2022	6.59%	6.59%

Monthly	Return*	Cumulative
March	6.56%	6.6%
February	7.05%	0.3%
January	-6.56%	-6.6%

Annual	Return**	Since Inception
2021	-21.4%	145.3%
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%
2007	40.5%	67.9%
2006	19.5%	19.5%

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

RESULTS COMPARISON

In the first quarter of 2022, the EMA GARP Fund increased in value by +6.59%.

The schedule below shows the Fund's performance compared to the general stock market indices, and the gold stock indices for the first quarter of 2022

First Quarter 2022 Results Comparison

	Q1
EMA Garp Fund, LP	6.6%
DJIA	-4.1%
S&P 500 Index	-4.6%
NASDAQ Composite	-8.9%
XAU/ Gold/ Silver stocks	20.1%
HUI Gold Stocks Index	20.9%
GDX Gold Majors ETF	19.7%
GDXJ Gold Juniors ETF	11.8%
GOEX Gold Explorers ETF	11.4%
SIL Silver Miners ETF	-0.8%
Gold Bullion	5.9%
Silver Bullion	6.4%
Crude Oil	33.3%
Goldman Sachs Commodity Index (GSCI)	32.4%
CCI Commodity Index	21.4%
US Government 10 Year Yield	2.34%
US Dollar Index	98.31
Bitcoin	-1.2%

QUARTERLY OVERVIEW

In the first quarter of 2022, the Fund increased modestly while major equity markets declined in a roller coaster of a quarter. The Dow, S&P 500 and NASDAQ were all down mid to high single digit percentages at one point during March before a modest late quarter rebound.

The large gold and silver mining stocks began moving. Early in new trend changes, the major gold producers typically outpace the junior miner stock index (see GDX outperformed GDXJ in table above). This occurs because when major institutional asset allocators enter the sector, they buy the big liquid names first. The majors have more liquidity but less upside because they are more fully valued and growing more slowly. Once the new trend is firmly established, the juniors often make up for lost time very quickly and generally outperform the majors in due course. It is notable that the largest market cap gold stock in the world, Newmont Mining just made a new all-time high. With a market cap of $65 Billion, it takes a lot of new capital to push this stock up. We think it is a strong indicator of what the entire sector is about to do.

On a relative basis, we trailed our benchmark the GDXJ, which was up 11.8%. The primary reasons for our fund lagging are our relative overweighting of silver miners and our 20% weighting in Bitcoin related investments (which were flat during the quarter). We have seen this before. Note, while silver bullion was up +6.4% in Q1, the Silver Miners ETF (SIL) was down -0.8%. We believe Silver is deeply undervalued, and once the next up leg fully kicks in, it will outperform gold. Silver stockpiles are low, and silver is a monetary metal as well as an industrial input. It will benefit from ESG secular demand tailwinds as silver will be a key metal in solar and electrical vehicle unit growth, among other electronics needs.

Also notable during the quarter, the inflation trends continued to be red hot. Inflation in March of 8.5% is at a 40 year high! The last time inflation was this high the US 10-year bond yielded 15%. The inflation also showed up in commodities which had their best quarter in 30 years. Oil was up 33% in the quarter, an annualized rate of well over 100%. The bond market acted predictably with the US Treasury 10-year yield moving from 1.74% to 2.34%. Since quarter end, this rate has pressed much higher – now yielding 2.78%.

In summary, this quarter was the first quarter that markets realized that not only is inflation *not* transitory, but in fact it is raging and is border line out of control. Even Fed officials have been forced to admit this. Of course, the biggest news of the quarter was Russia's invasion of Ukraine on February 24th, starting a war that they had been warning about for some time. (more on this later)

KING DOLLAR AND THE RISE OF GOLD

Reviewing the history and structure of the world monetary system is instructive given recent political developments with the kinetic war launched by Russia in the Ukraine. It can help us as we try to determine what happens next. (many of you know this but allow us to review).

Bretton Woods I: 1944-1960s Period

Toward the end of World War II, in July 1944[1], the leaders of the free world convened a monetary conference in Bretton Woods, NH to establish the rules for a post war monetary system. This is now referred to as Bretton Woods I.

At this conference, the US Dollar was made the international reserve currency for the world financial system. The dollar would be backed by gold and could be exchange for bullion at the price of $35 per ounce. (US citizens did not have that exchange privilege due to Roosevelt's 1933 Executive Order 6102 which made it illegal for US citizens to own gold; this was repealed in 1975). All other foreign currencies would be pegged to the dollar at fixed exchange rates.

The exchangeability of dollars for gold was credible because the US had 650,000 ounces (20.5 metric tonnes) of gold on deposit. In the early post war period, this arrangement worked fairly well, and the dollar was further supported because the US was the leading industrial nation; Japan and Germany's economies had been devastated by the war.

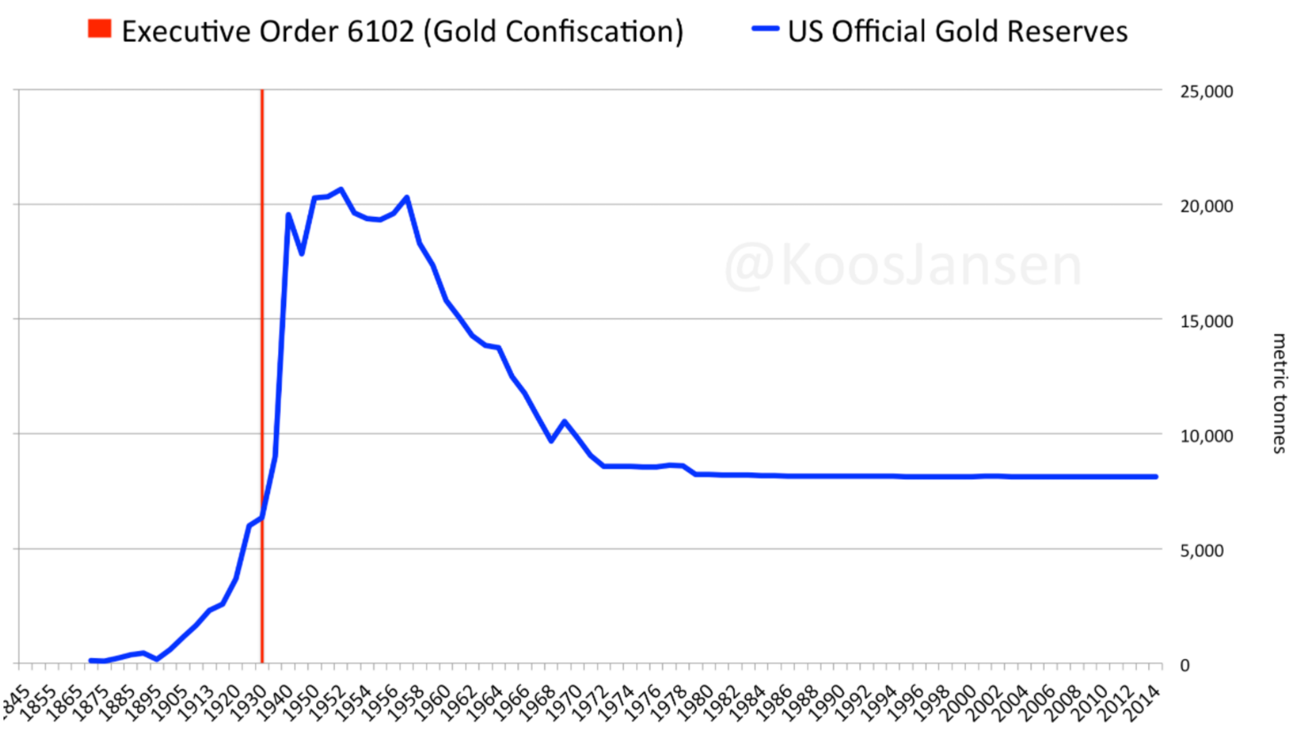
[1] It was clear that the Allies would win World War II by this time, it was just a matter of time.

From 1946-1957, US economic growth was solid, and the US Federal government was generally fiscally responsible and ran budget surpluses in 6 of those 11 years. Deficit years contained small deficits and only the Korean conflict spiked the annual deficit in 1953. Inflation was present in the late 1940's and 1950's, but the Fed kept interest rates in check through financial repression (yield curve control). The US dominated the world militarily. US economic growth was robust as returning GI's started families, bought houses and cars. The US was a net exporter with a positive balance of trade. There was a high level of trust in the dollar and its exchangeability for gold was a backstop.

<u>1960s: Deficits Drive a "Run on Gold" and the Ultimate Failure of the London Gold Pool</u>

However, the pot started to boil in the 1960's with the US entering the Vietnam War, along with President Johnson's "Great Society" social programs (welfare, medicare, medicaid). This spending was called "Guns and Butter" at the time and led to significant US Fiscal deficits. The net result of these deficits, and the monetization (money printing) employed to finance them, was that foreign creditors began to doubt the value of the dollar as measured in gold terms. Thus, many of those creditors began to take the US up on its offer to exchange dollars for gold.

As you can see in the chart below, the trend of foreigners exchanging dollars for US gold bullion began in 1959 when the US ran a fiscal budget deficit of $13 Billion (at the time considered very large). Those deficits persisted and grew throughout the 1960's, and so did the outflow of US Treasury gold.



Source: Koos Jansen, World Gold Council and BullionStar.com

The leader in the repatriation effort was France, and its President Charles de Gaulle, who was advised by economist Jacques Reuff. Reuff pointed out that the US Dollar, as the world's reserve currency, enjoyed an "exorbitant privilege" where foreigners see themselves supporting American living standards. As American economist Barry Eichengreen summarized: "It costs only a few cents for the Bureau of Engraving and Printing to produce a $100 bill, but other countries had to pony up $100 of actual goods in order to obtain one." This was the first instance of the world recognizing that the US Dollar as the world's reserve currency allowed Americans to live better at the expense of the rest of the world--but it would not be the last.

As the chart above shows, the run on US gold that began in 1959 accelerated throughout the 1960's. The US Deficits from the Vietnam war grew larger culminating in a US Fiscal deficit of $25 Billion in 1968 (again – deemed to be a very large deficit at that time), a figure that had not been exceeded since WW II.

In fact, the free market price of gold in London was trading above the official $35 reference price. Investors realized that the US Fiscal position was untenable, and foreigners who could legally buy gold were turning their dollars in for gold - well above $35 per ounce for delivery in London. Countries were also taking delivery of gold directly from the US Treasury in exchange for the dollars that they had earned in trade.

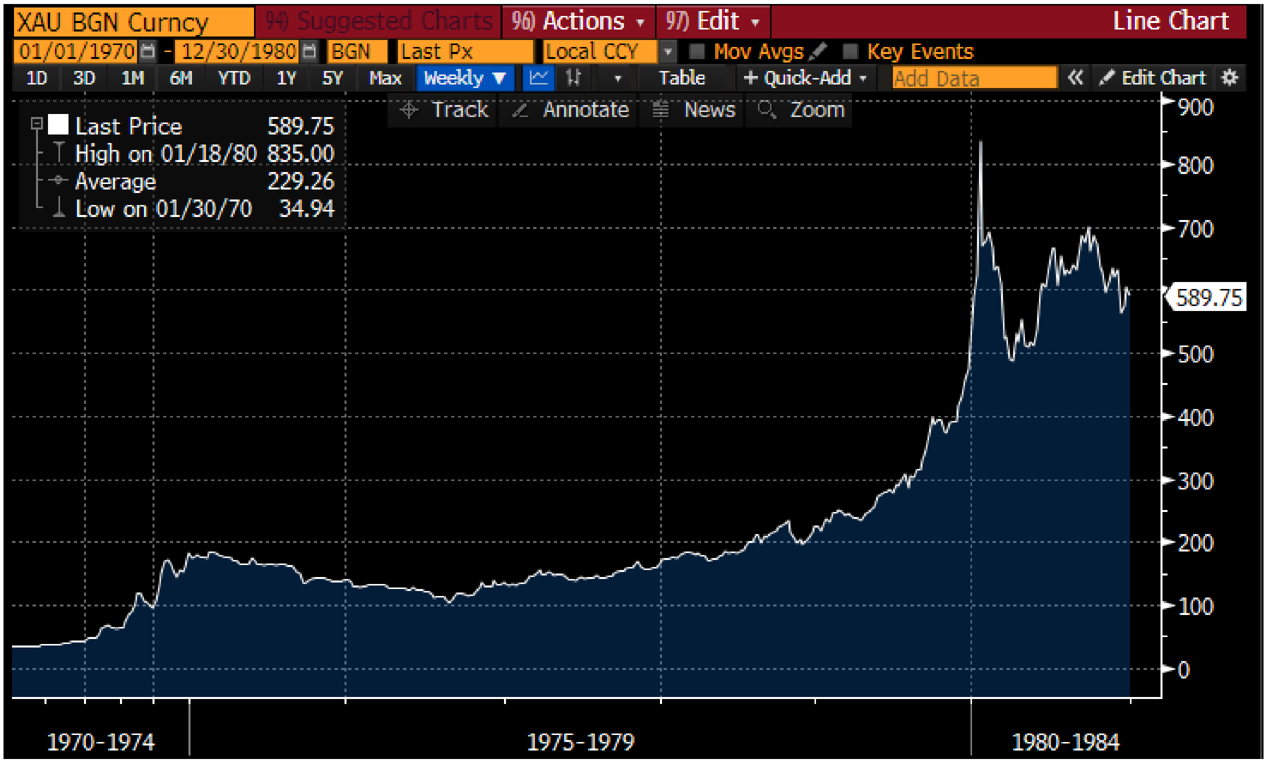
This was now an accelerating bank run on gold. To mitigate this problem, in the 1960s a group of Central Banks formed the London Gold Pool in an effort to keep the free-market gold price close to the Bretton Woods reference price of $35. These Central Bankers manipulated the price of gold through strategic selling, and threats of selling of *paper* gold. However, the run on gold situation in the 1960s ratcheted up in 1967. Overwhelmed by the demand for physical gold, the British were forced to devalue the Pound Sterling by 14% and gold was trading at $50 per ounce. One by one and led by France, the Central Banks exited the London Gold Pool following 1967 and it failed.

1970s: Nixon Closes Gold Window, given the Run on Gold

Failure of the London Gold Pool's manipulation only buoyed physical demand for gold, as all recognized that gold is the ultimate form of scarce and sound money. The US gold reserves were being drained at a very rapid rate; there was massive pressure on the dollar. On August 15, 1971, President Nixon (who had no interest in or ability to contain the war spending) "temporarily" closed the US gold window to thwart the "evil international speculators".

Consequently, without the promised gold exchangeability, the US Government had effectively defaulted on its foreign creditors. We were bankrupt, and confidence in the dollar was fading fast. The impact of the US abandoning the international convertibility of the dollar into gold did not take long to stimulate the price of gold. The US Treasury Secretary, John Connally went to the G-10 meetings in Rome in late 1971, after the default, and brazenly said "the dollar is our currency, but it is your problem". The sentiment was not lost on the other participants and the gold price responded accordingly (see graph below)

1970-1980 Gold Prices



Source: Bloomberg

Paper Gold Suppression

What is instructive about this history of gold price suppression is that the London Gold Pool tried to manipulate the gold price from 1962 to 1968, somewhat successfully, but ultimately physical gold demand overwhelmed the manipulation scheme and it failed. Over the past 20 years, there is substantial evidence that a similar manipulation scheme has been used by Central Banks, the Bank of International Settlements (BIS) and the Fed, whereby they "sell" paper gold contracts to keep gold prices down.

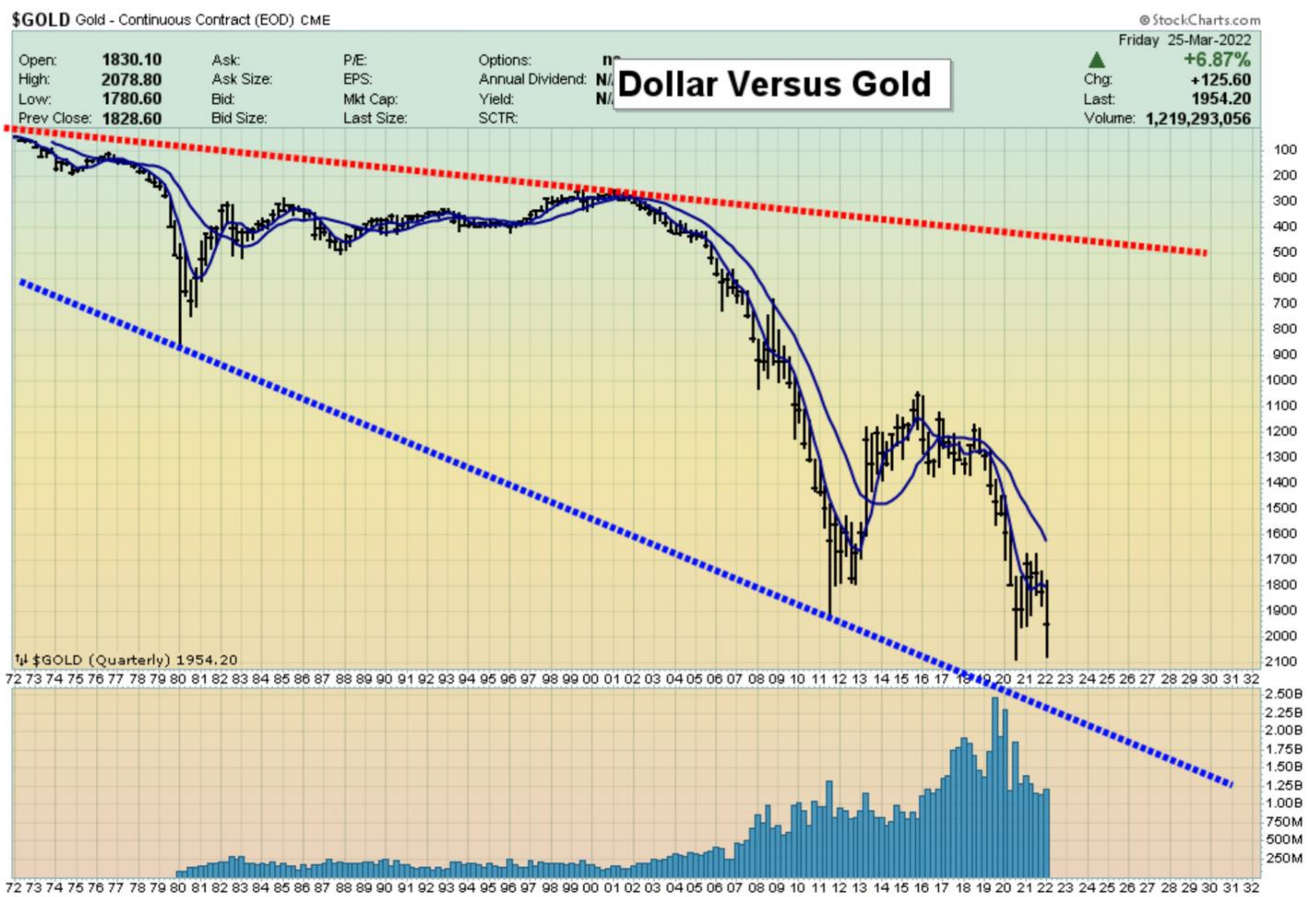
Gold is the only commodity market where there are large, unallocated paper derivatives which many in the Gold community believe have been used to suppress and contain its price. The evidence for this is overwhelming and buried in many places[2]. Suffice it to say, many analysts believe that there are between 20x, 50x and perhaps up to 1,000x *paper* claims on each *physical* ounce of gold in the world today. In effect,

[2] The body of proof on this topic has been assembled by the stalwart monetary reporters, Bill Murphy and Chris Powell (among others) who run the Gold Antitrust Action Committee (GATA). See www.gata.org. All of the proof is detailed there. One big clue is the publishing of a white paper by Lawrence Summers and Robert Barsky in 1988 which laid out the roadmap for creating a credit driven economic boom by masking inflation through control of the gold price. Robert Rubin, Treasury Secretary for President Clinton was a former gold trader at Aron & Co. before it was acquired by Goldman Sachs. It is believed he helped to develop the "paper gold' marketplace.

the Central Banks, Sovereign Governments and London Bullion Market Association (LBMA) have run a fractional reserve gold market. This scheme will only stay intact if everyone who holds a paper claim on gold does *not* ask for actual physical delivery (i.e., another run on physical gold like the late 1960s). Conversely, if all of the claims were presented and asked to provide physical ounces (e.g. think short squeezes in Gamestop in 2021 or more recently nickel) there would either be a Force Majeure (similar to what happened recently in nickel) or the gold price would rise to multiples of its current price to match supply with demand.

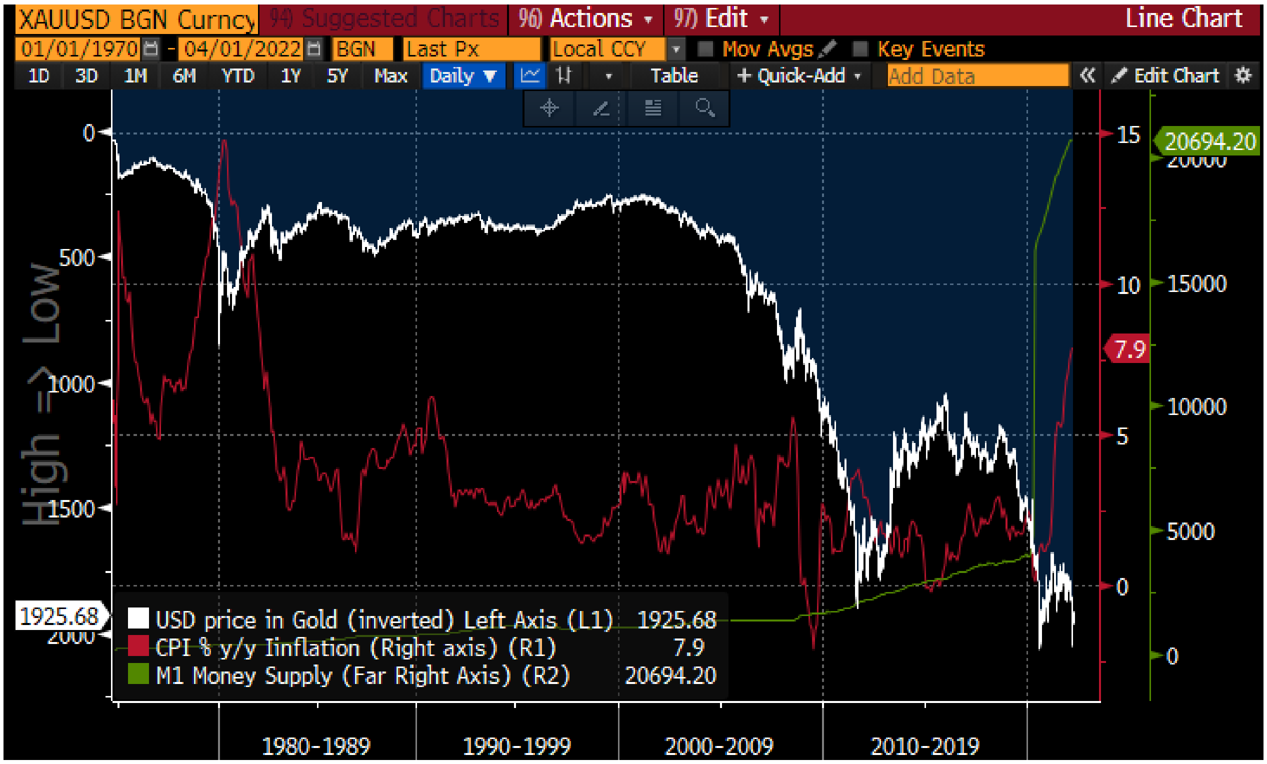
We believe that the gold price has been severely suppressed by Western Governments in order to mask the underlying inflation or dilution of value which has taken place in order to support fiat currencies, Keynesian economics, Western government social policies, and credit inflation. Even with this suppression, the price of gold has performed quite well over the long sweep of time since 1971. Note the chart below shows the decline in US Dollars priced in gold terms.

USD Priced in Gold Terms 1972-2022



Now look at the same chart with inflation as the red line and the M1 money supply as the green line.

USD Price in Gold (inverted) vs. Inflation vs. M1 Money Supply



Source: Bloomberg

There are some interesting things in this chart above. First, you can see the effect of the raging inflation in the 1970's (red line above) when gold went from \$35 per ounce to \$800 per ounce (inverted white line). Note that at \$800 an ounce gold in 1980, the US Money Supply (M1) was nearly 55% backed by our gold reserves. If the price of gold had been \$1,459 in 1980, every dollar would have had 100% gold backing. So even though we were not legally on a gold standard the market had effectively taken us more than halfway there by 1980[3].

It is also interesting to see M1 money supply (green line above) and how much it has skyrocketed since the 2008 GFC crisis and bank bailouts. It is interesting to consider these numbers in today's terms which show how much the gold price has been artificially suppressed as a measure of monetary inflation. Today, in order to obtain the bare minimum (30% coverage) necessary to have the US Treasury reserves of gold backing the dollar, the price of gold would need to be \$23,000 per ounce, and to get to the 1980 peak of 55%% coverage of M1, the price would be \$42,000 per ounce vs. gold today at only \$1,970 per ounce. Indeed, there has been quite a bit of monetary inflation in terms of gold!

---

[3] Most monetary theorists, by studying history, have concluded that for a gold standard to be successful the amount of currency outstanding must be backed by holdings of gold equal in value to between 30% and 100% of the monetary medium outstanding.

As concerns our portfolio upside, we think it's just a matter of time until we get that mid-late 1970s 5x+ gold price acceleration. The reason this has not shown up in the gold price is due to the suppression scheme which until recently was perfected by the Western Central banks and the Gold Cartel. Some Bitcoin enthusiasts like to say Bitcoin is going to steal all of gold's monetary premium. Gold bugs laugh at this because there is not much premium in gold to steal. On average, gold costs about $1,200 per ounce to mine and the sales price of $1,970 barely compensates for the capital costs to build mines and replace reserves.

If gold were to trade at much higher prices, then perhaps there would be a monetary premium to steal.

1980-Present Gold Market

In the chart below, you can see the effect that Paul Volcker's policies had on the dollar price of gold. By pushing interest rates up to 20%, he managed to cool inflation and ultimately stop it. This brought the gold price back to the $260 to $400 range where it lived for quite some time. The 1980's and 1990s were marked by a period of dis-inflation and ultimately deflation given technological innovations and productivity gains from Microsoft, Intel and the like in the 1980s and then the Internet in the 1990s. Also, the impact of China's entry into the world economy and the construction of its low labor cost manufacturing base helped create deflationary forces that masked the underlying monetary inflation that was taking place as we printed money.

Gold Prices vs. M1 Money Supply 1970 - 2022

Source: Bloomberg

In 1998, we saw the failure of Russia and LTCM. This led to a more activist Fed (and the famous "Fed Put") that helped to fuel the Dotcom bubble which burst in March 2000. This marked the low of the gold price at approximately $260 per ounce in late 2000. When the Dotcom bubble burst the Fed reacted aggressively by lowering interest rates to 1% and by adding enormous monetary accommodation. Furthermore, in November 2002 Fed Chairman Ben Bernanke delivered his epic "the US Government has a technology speech". Bernanke's money quote was:

> "What has this got to do with monetary policy? Like gold, US dollars have value only to the extent that they are strictly limited in supply. But the US government has a technology, called a printing press (or, today, its electronic equivalent), that allows it to produce as many US dollars as it wishes at essentially no cost. By increasing the number of U.S. dollars in circulation, or even by credibly threatening to do so, the US government can also reduce the value of a dollar in terms of goods and services, which is equivalent to raising the prices in dollars of those goods and services. We conclude that, under a paper-money system, a determined government can always generate higher spending and hence positive inflation."

In essence, Bernanke said that US. monetary policy had changed, and corrective deflationary downturns were no longer allowed. When you add this to the very low (1.00%-1.50%) Fed Funds rate that he instituted after the Dotcom bubble burst, he helped to blow the US housing bubble. We can see why gold rallied steadily from $260 per ounce in 2000 to $1,900 in 2011. Post 2011, the Fed implemented Operation Twist which masked the inflation, and the Fed was able to orchestrate a major correction in the price of gold from $1,900 to $1,050 in December of 2015. The discovery of shale oil and fracking also helped greatly in this effort since the oil price is such a good indicator of inflation.

BRETTON WOODS II: THE PETRODOLLAR AND RESERVE CURRENCY STATUS

Against this backdrop, it is helpful to understand the benefits and implications of being the "global reserve currency". Soon after Nixon abandoned the gold standard in 1971, the US took carefully measured steps to secure the dollar as the global reserve currency.

Recognizing that oil was (and remains) the world's largest and most important commodity, in the early 1970's, Henry Kissinger went to Saudi Arabia, the world's largest oil producer, and reached an agreement. The US would provide the Saudis with military support if the Saudis would sell their oil in US dollars, *only*. William Simon, the bond salesman from Salomon Brothers, became Treasury Secretary and helped convince the Saudis to park their dollars in the US Treasury market.

The post 1971 monetary environment, where the dollar is still the world's reserve currency, no longer backed by gold but rather is backed by the GLOBAL need for dollars to purchase oil, is now called the PetroDollar standard, or some refer to it as Bretton Woods II. This system has benefited the US greatly by creating (i) an artificial demand for US dollars, thus ensuring a strong dollar; and (ii) when commodity/goods sellers received dollar revenues, they "recycled" those dollar cash assets back into the purchase of US Treasury bonds. Thus, this PetroDollar system financed our deficits and led to a higher living standard (albeit on credit) for Americans. It enabled us to consume more than we produce in the way that many drug addicts are enabled.

PROBLEMS WITH THE BRETTON WOODS/PETRODOLLAR SYSTEM: "TRIFFIN'S DILEMMA"

As early as the 1944, some people saw problems with the post-WWII Bretton Woods system. Robert Triffin was an Economist who taught at Harvard and Yale. In 1959, Triffin testified before Congress and warned that the Bretton Woods monetary system was seriously flawed. He warned that by using the dollar as the international reserve currency, it required the US monetary system to run deficits in order to supply the world with financial liquidity. He predicted that the system would not be able to maintain liquidity *AND* confidence in the dollar at the same time. He was ignored.

However, in 1971, his theory proved to be true when Nixon was forced to abandon the gold standard given foreign nations' concern about US budget deficits (from the Vietnam War and large safety net expenditures). In fact, the theory is still true today even though we are no longer on the gold standard. Since 1971, we have observed that when the dollar is too strong (not enough dollars being printed) things break financially in other parts of the world. This imbalance between US domestic needs and world financial system needs is a problem that can only be solved by going to a neutral reserve currency like gold. (Although it does not have to be gold).

Ironically, John Maynard Keynes, at the Bretton Woods conference in 1944, had previously recognized this problem. He suggested that the solution was to adopt a neutral reserve currency among large nations to be called the Bancor. It would have included a basket of commodities and currencies and therefore it would fluctuate as needed in national currency terms to keep trade and commerce in balance. Sadly, this idea was not adopted in favor of the system that we now have.

The current fiat system has led to huge dollar imbalances and has enabled the US to live beyond its means at the expense of the rest of the world given our ability to borrow debt so cheaply. While Russia's move into the Ukraine has strategic rationale for Russia including access to ports and commodities, we believe that this monetary issue is also a reason for Russia's actions.

Indeed, as early as 2009, China and Russian Central Bankers complained openly and critiqued the PetroDollar system and the issues of US deficits and dollar debasement, given the Fed's actions post the 2008 GFC crisis (i.e., Bank bailouts). Here is a 2009 comment from a Chinese Central Banker:

> "The desirable goal of reforming the international monetary system, therefore, is to create an international reserve currency that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies…...A super-sovereign reserve currency not only eliminates the inherent risks of credit-based sovereign currency, but also makes it possible to manage global liquidity. A super-sovereign reserve currency managed by a global institution could be used to both create and control the global liquidity. And when a country's currency is no longer used as the yardstick for global trade and as the benchmark for other currencies, the exchange rate policy of the country would be far more effective in adjusting economic imbalances."

--*Reform the International Monetary System*, Zhou Xiaochuan, PBOC – 3/23/09[4]

[4] https://www.bis.org/review/r090402c.pdf

In our opinion, the dollar will need to be replaced by a neutral reserve currency when the upcoming currency reset takes place. Credit Suisse' Zoltan Pozsar has written extensively about exactly this in what he calls the new Bretton Woods III system that in effect Putin has just created.

BRETTON WOODS III: WHY THE PETRODOLLAR JUST DIED IN 2022

The current events of Q1 2022 are enormously important and have yet to be fully absorbed by many market participants, in our opinion. The Western sanctions and seizure of Russian FX reserves[5] are nothing short of a monetary earthquake. The last comparable event was Nixon's abandonment of the gold standard in 1971. Russia, with the backing and support of China, just told the world that it is no longer going to sell its oil, gas and wheat for Western "credit" currencies such as the US dollar or Euro which are programmed to debase. Putin and his advisors have said that they will only sell their commodities for Rubles or Gold. (not Dollars and Euros). In effect, Putin just created the PetroRuble.

Although it is interesting because Russia has said that they will let non hostile countries like China and India use their local currencies, the Yuan and the Rupee to make purchases.

Zoltan Pozsar in essence sees the new Bretton Woods III system structure to be:

- The goal of Russia and China is to "de-dollarize". Sell their commodities / goods in Rubles, Yuan (rather than dollars).
  - With their Yuan or Ruble revenues, they will "recycle" that – no longer in US Treasuries, but rather into sound money assets such as gold (or Bitcoin).
- Possibly, Russia could even peg its commodity sales to gold by saying "we'll sell x barrels of oil for y ounces of gold". Thus, Russia can be confident that they are holding a scarce asset (gold) rather than a debased fiat currency.

Indeed, just three weeks ago, a Russian minister discussed this publicly:

> "Gas is just the beginning; this will also affect other resources. If they want to buy, let them pay either in hard currency, for us that's gold, or in currencies that are convenient for us, that's the national currency. The set of currencies may vary, and that's normal practice. If there are bitcoins, we will trade in bitcoins."
>
> – Pavel Zalvany, Head of the Russian Energy Committee…March 25, 2022

Western countries complained about this, but Putin made it clear he would stop gas shipments if Europe did not comply. Western Europe gets over 50% of its natural gas supplies from Russia and so, not surprisingly, after complaining, they complied and began purchasing Rubles.

[5] Russia has approximately $643B in FX reserves at banks around the world. Approximately $150B is in physical gold which increasingly was purchased over the past 6 years. However, $300B of the $643B was taken from Russia in the Sanctions.

Now it is easy to say that what Russia is doing is unfair; but consider that their actions are only in response to the actions by the US and Western Europe to sanction Russia, cut it off from the Swift Payment System, and seize nearly half of their foreign currency reserves of $643 billion that they earned through trade. Frankly, when we saw the US seize their foreign currency reserves, we were shocked. A kinetic war started by Russia quickly evolved into an all-out financial war with the seizure of assets and possession becoming 9/10ths of the law. Russia in turn seized western jet aircraft worth billions of dollars and the West began seizing Russian Oligarch's property and yachts in hopes that they would rise up and overthrow Putin. In fact, at high levels in New York and Washington elites believe that Putin's days are numbered. We are not so sure. The effect of seizing Russia's FX reserves will have far ranging consequences, in our view.

Global Central Banks with over $12 Trillion of FX reserves, are likely also alarmed by this "takings" of Russian reserves. By seizing (stealing?) nearly 1/2 of Russia's FX Reserves, the West in effect just said to the world, "if you have foreign exchange reserves, held in our system, they are no longer safe if we disagree with your politics". Will India, China, Saudi Arabia, Brazil have the same level of trust that they had before this action? What occurred here is similar to what the Trudeau administration and Canada did when they moved to seize the bank accounts (without due process of law) of Canadians who had demonstrated support for the 2021 truckers strike.

These political moves are blatant advertisements for what we call "non-state-controlled money without counterparty risk". vis: gold and bitcoin. If governments can weaponize their money when they do not like what you are doing, what is the natural defense?

Wherever these trends may go, there is one thing of which we are fairly certain: Financial people around the world are aware of these moves. And while many of us in the sound money community have been aware of these issues for years, we are finding that they are becoming much more mainstream as the following Wall Street Journal quote demonstrates:

MARKETS | HEARD ON THE STREET

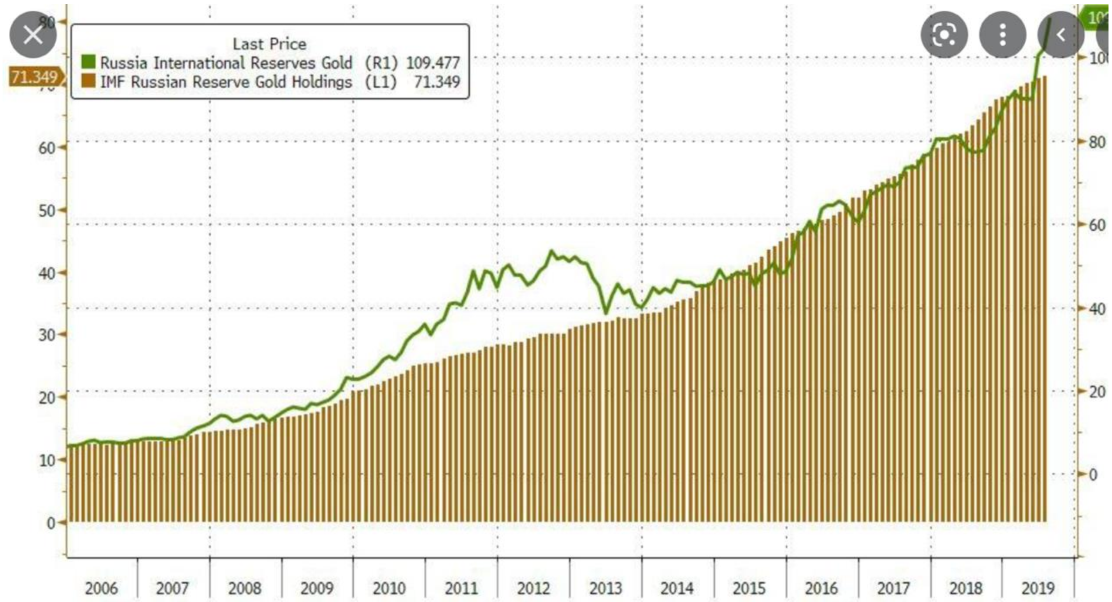
If Russian Currency Reserves Aren't Really Money, the World Is in for a Shock

Sanctions have shown that currency reserves accumulated by central banks can be taken away. With China taking note, this may reshape geopolitics, economic management and even the international role of the U.S. dollar.

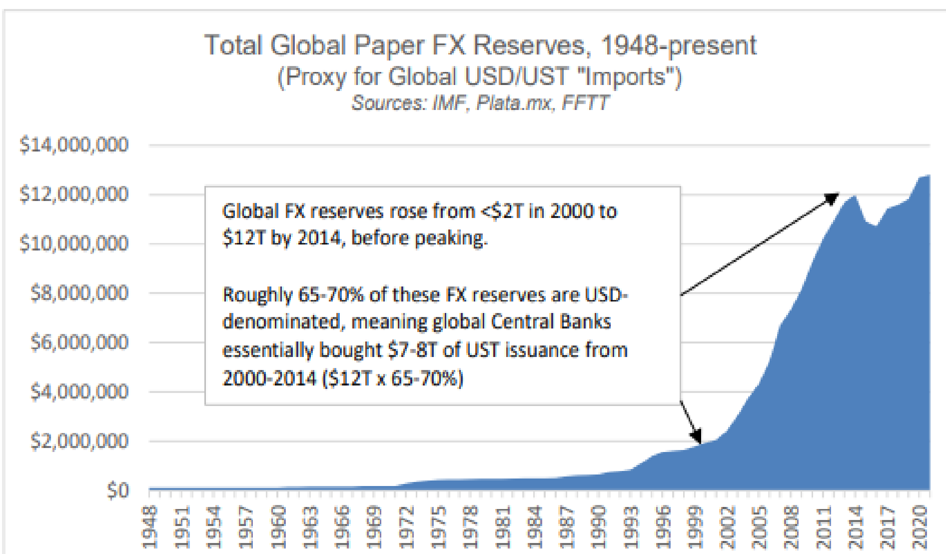
WSJ March 3, 2022 www.wsj.com/articles/if-currency-reserves-arent-really-money-the-world-is-in-for-a-shock-11646311306

Putin is now cast in the role of Charles de Gaulle who complained about the "exorbitant privilege" of the US with its dollar hegemony. As discussed earlier, de Gaulle demanded gold in exchange for France's US dollar FX surpluses, and this outflow forced Nixon to close the gold window. In reaction, the 1970s saw gold move from $35 per ounce to $800 per ounce (23x). Putin could see that the US fiscal and monetary situation was becoming untenable, and he decided to use this to create an existential threat to the US and the world financial system. He undoubtedly knows[6] that the West has artificially suppressed the price of gold and that is why he has been building his gold reserves steadily for the past 20 years.

[6] We know this to be true because he sent one of his advisors, Andrey Y. Bykov to the 2005 GATA Conference in Dawson City, Yukon. Bykov is close to Putin and he has written several articles about paper gold and the gold price suppression scheme. It is interesting to note that Russia became an aggressive buyer of gold in the following years.



Russia's move will lead to a similar move in favor of gold given the $12 Trillion of USD FX Reserves held by global central banks (see the chart below). If even only 10% of those surplus reserves seek gold, it would create an enormous demand wave for physical gold.



Source: Luke Gromen, FFTT report

We strongly believe that Putin just shot "King Dollar" in the head. If we were to put his actions into a phrase that echoes John Connally's 1971 quote of "our dollars, your problem", Putin just said "our commodities, your problem." Or to paraphrase the movie, *Jerry McGuire* "show me the physical." Putin knows that the paper monetary system is a credit based ponzi scheme designed to enrich those who control the monetary system, and in effect he is saying "I am not going to play that game anymore; you need Russia's commodities and the only way to obtain them is to pay in a currency which has enduring value".

We can already see the effects of his move in the financial markets as the price of seemingly every commodity is going up relentlessly in dollar terms. Russia is long commodities, long gold and doesn't need fiat currency. (they run a positive trade balance exporting more than they import). Russia's debt to GDP ratio is low at only 17% and taxes are low. If the world financial markets collapse, on a relative basis, the position of Russia will be improved significantly.

If investors do not recognize the magnitude of this "game changing event" they will be caught wrong footed as we believe many are today. The implications for investors are quite clear: none of us own enough gold, real assets, Bitcoin or commodities. Fiat currencies have a real possibility of failing spectacularly, and perhaps a lot sooner than anyone can imagine. Holding money "outside the system" (gold and bitcoin) will begin to look a lot more appealing to foreigners and central banks who have currency reserves held in the US. They will note that it is a lot harder to seize a self-custodied, bearer asset like gold or bitcoin than it is to seize or freeze a bank account.

Nobody ever said that investing and protecting capital during a once in a century global sovereign currency crisis was going to be easy. One thing we can be certain of is that universally governments have shown that they will do what they have to do to preserve themselves. Even if it contradicts the laws and common practices of their history. For example, in the last worldwide sovereign debt crisis of the 1920's and 1930's (driven by the costs and reparations of WWI and the Treaty of Versailles), we saw countries undergoing hyperinflation (France, Germany and Russia) or they took the opposite path which led to a depression (US and Britain). In the US, in order to deal with the massive deflation that was created by the bursting of the 1929 stock bubble, in May 1933 President Roosevelt confiscated US citizen's gold and then revalued it 70% lower within 9 months. When we saw the events of the last month, we were immediately reminded of Roosevelt's Executive Order 6102 which seized gold.

FEDERAL RESERVE WATCH

Events in this quarter really raised the ante for the Federal Reserve. They are under a lot of pressure, and they are horribly trapped with no easy or good policy choice. Mainstream commentators like Mohamed El-Erian have stated this and the issue is becoming more widely understood. Heck, even the Fed admits this.

Why are they in so much trouble?

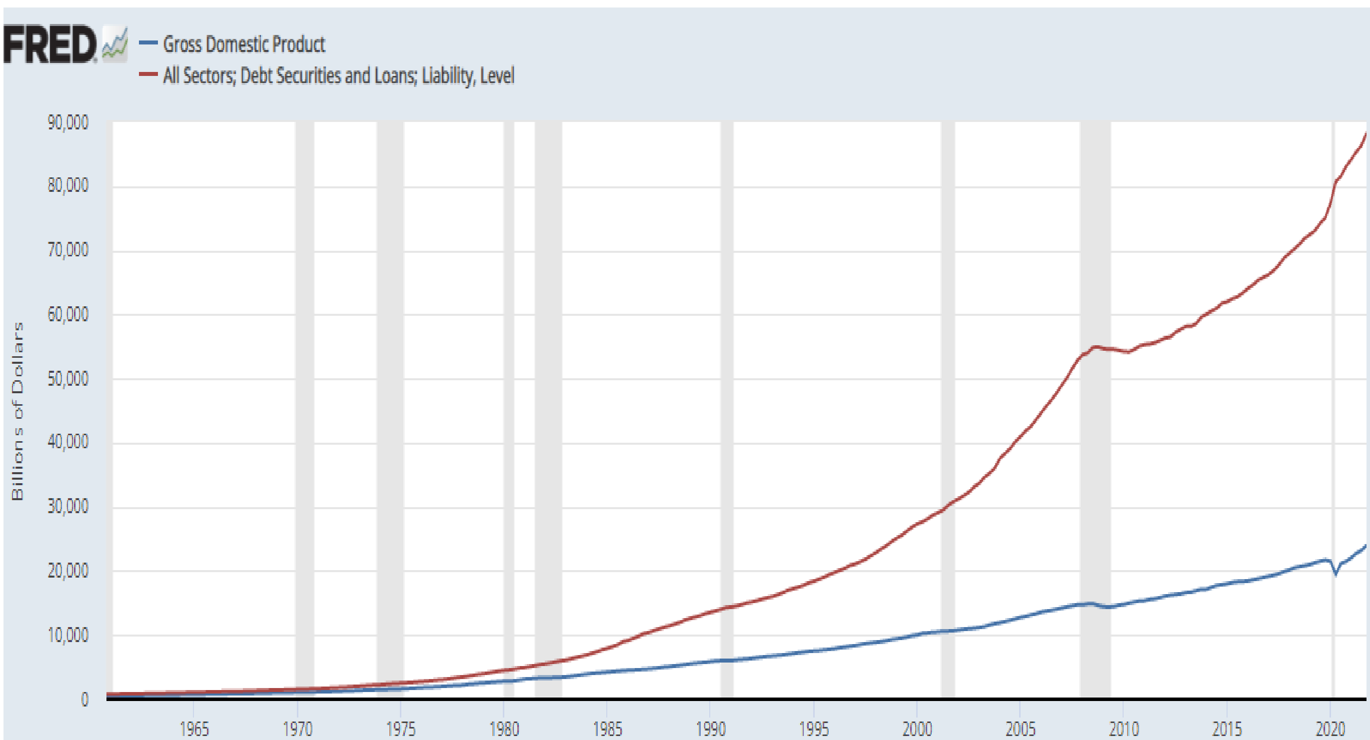
First, in order to maintain credibility, the Fed governors have had to all come out and admit that they were completely wrong about their "transitory inflation" statements and that inflation is much too high. Inflation is raging and this is using the official CPI which does not accurately capture all the price increases. For example, housing prices are up 20% YOY and rents are up 17% YOY, and yet the CPI housing component is up 4.3% YOY, so they claim. Similar misstatements are being made in other categories. Americans are seeing gasoline prices of $5.00, $6.00 and even $7.00 per gallon (California). The official CPI inflation just printed 8.5% in March. The alternative measure of inflation, as tracked by Shadow Government Statistics (a service which keeps the records as they were kept in 1980), is tracking at inflation of 17% YOY.

These inflation figures are stunning, and not surprising, given that the monetary aggregate (M2) has expanded by a stunning 41% in the last two years. The notion of inflation running at 8.5% with US Government 10-year Treasury yields at only 2.75% creates deeply negative real interest rates. The last time inflation was this high in 1982, the US 10 year yielded 15%.

While the Fed has begun to admit that inflation is present, they assure us that they have "tools" to deal with it. They began with a 0.25% hike in the Federal funds rate at their last meeting on March 15, 2022. They also signaled that they intend to raise rates between 7 and 9 times at the upcoming meetings which would take the Fed funds rate to over 2.50%. They also intend to begin shrinking the Fed's balance sheet by $95 billion per month by letting maturing bonds run off (i.e., Quantitative tightening - QT). The last time they attempted QT in 2018-2019, it led to the infamous Powell pivot when the stock market fell 20% rapidly whereupon Powell resumed QE and reversed interest rate increases. Tightening is going to be challenging if not impossible with today's much larger debt load.

The following chart shows what has happened to All Sector Debt when compared to GDP:

Total US Debt vs. US GDP 1960-2021



Source: St. Louis Federal Reserve Economic Research (FRED) https://fred.stlouisfed.org/series/GDP#0

THE FED CAN NEVER STOP PRINTING AND HIGHER INFLATION IS INEVITABLE

In our view, this is the fundamental mathematical problem confronting the Fed. GDP produces income to pay interest and service the debt. As you can see in the chart above, debt is growing much more rapidly than the underlying GDP. There is no way this does not end badly. Either we inflate away the debt or the debt defaults. There are no good choices.

Our belief is that the Fed's hawkishness is a bluff. They hope that this messaging will destroy demand and cool off the stock market, the economy and inflation. To wit: former NY Fed President William Dudley recently made the following statement to Bloomberg News:

> "It is hard to know how much the US Federal Reserve will need to go to get inflation under control. But one thing is certain: to be effective, it will have to inflict more losses on stock and bond investors than it has so far. If stocks don't fall, the Fed needs to force them."

Now, Dudley is no longer on the Fed Board but these kinds of statements are often planted to signal what the Fed is thinking. We deduce that the Fed is worried that the stock market continues to melt up despite their threats to tighten. Perhaps they fear a crack-up boom too. For the moment, the Fed has decided that fighting inflation is more important than the stock market. However, hawkish proposals typically lead to something breaking in the monetary system and we believe this time will be no different. Luke Gromen, who we consider to be among the best Macro Economic Analysts in the world today, shares our view:


Luke Gromen @LukeGromen · Apr 5
Fascinating to watch the Fed (& many market participants) engage in the collective delusion that they can run the "Volcker 1979 playbook" with US debt, deficits, & Balance of Pmts akin to 1920 Europe.

When this collective delusion shatters, it will be spectacular. #Gold #BTC

***Walter Bloomberg** @Deltaone · Apr 5
BRAINARD: FED IS PREPARED TO TAKE STRONGER ACTION IF INFLATION AND INFLATION EXPECTATION INDICATORS SUGGEST NEED FOR SUCH ACTION

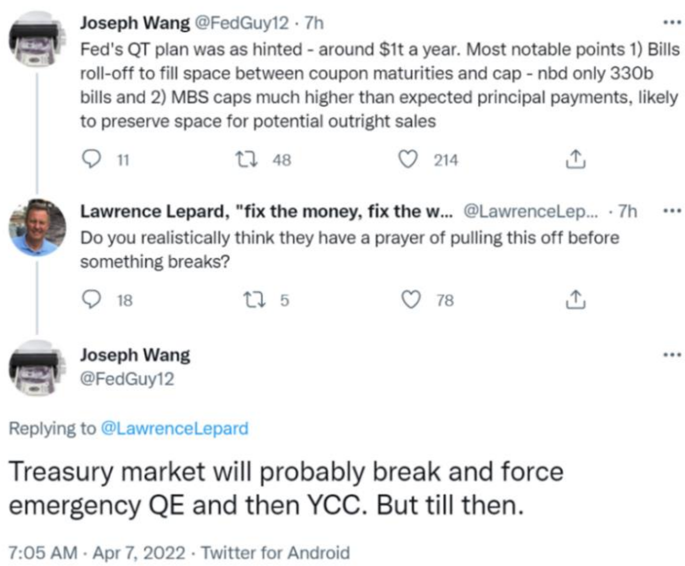
Luke's reference to the "Volcker playbook" reflects the action taken by Paul Volcker, Fed Chairman (1979-1987) who raised the Fed funds rate to 20% to tame the runaway inflation of the 1970's. Volcker succeeded but at the cost of a severe economic downturn (I know, my Father's business almost failed) and Volcker was operating in an environment where the United States was carrying far less debt at all levels of society. Federal Debt to GDP was 30% then versus 125% today. Businesses were less indebted then too.

In our opinion, if the Fed runs the Volcker playbook the capital markets break, and we have a Depression that rivals the 1930's. Higher interest rates would cause enormous pain and defaults.

We think the more likely outcome is that the Fed is "talking tough" in the hopes that the market will do its work for them with a soft, steady correction in most assets. In our opinion, the Fed will start an aggressive tightening cycle in the hopes that they can destroy demand, slow the economy and tame inflation. The problem with this approach is that, in the past, tighter financial conditions and higher interest rates have proven to be problematic for the bond market. Recall the Repo rate blow out in September of 2019, or before that the December 2018 "taper tantrum" which caused the plunging stock market and led to the Powell pivot. The reality is, the Fed *needs* high inflation to reduce the real impact of the debt burden.

There is a very intelligent gentleman named Joseph Wang on Twitter who used to be a Trader for the New York Fed on their open markets desk. He has written a book (Central Banking 101) on the Fed and he has good visibility on how the Fed thinks and acts.

We queried him on Twitter last week concerning what he thought was likely to happen when the Fed begins to implement its QT plans. Here is the exchange:


Joseph Wang @FedGuy12 · 7h
Fed's QT plan was as hinted - around $1t a year. Most notable points 1) Bills roll-off to fill space between coupon maturities and cap - nbd only 330b bills and 2) MBS caps much higher than expected principal payments, likely to preserve space for potential outright sales
11 48 214

Lawrence Lepard, "fix the money, fix the w... @LawrenceLep... · 7h
Do you realistically think they have a prayer of pulling this off before something breaks?
18 5 78

Joseph Wang
@FedGuy12

Replying to @LawrenceLepard

Treasury market will probably break and force emergency QE and then YCC. But till then.

7:05 AM · Apr 7, 2022 · Twitter for Android

He shares our view that if they tighten as they have proposed, the Treasury market will ultimately break and they will be forced to resume QE (money printing) and probably will also have to implement Yield Curve Control (YCC). YCC is just the Fed buying Treasury bonds to keep interest rates low. They buy those bonds with newly printed currency that shows up on their balance sheet, so in reality, YCC is just more money printing. If the Fed pivots in this way, it will be another huge blow to their credibility and market participants will more broadly see what we believe to be the case. **THE FED CAN NEVER STOP PRINTING AND HIGHER INFLATION IS INEVITABLE.**

When a majority of market participants come to this conclusion, it will be all over. We have read many books on hyperinflations and have studied history. We are instructed by this history and by Austrian Economic theory which describes how this happens. Famous Austrian economist Ludwig Von Mises said that hyperinflation in the first phase begins as high and rapidly increasing inflation (check). Then in Von Mises's second phase, the population realizes that the money is losing purchasing power, and they increasingly dump it for goods as rapidly as possible. This is the flight out of money and into goods, the *katastrophenhausse*, or crack-up boom. Once the currency enters this phase, the currency is doomed.

We are at the border between high inflation and phase 2. Most textbooks which cover hyperinflation discuss how at the end, inflation really is a psychological phenomena. When people realize that the printing of money is not a one-time thing, or a temporary policy, but rather that printing currency is inevitable and will in fact accelerate over time, then out of instincts of self-preservation, they rush to buy goods which will hold value – Gresham's Law.[7] What triggers hyperinflation is the percentage of the participants in the economy who hold the view that the printing is inevitable and out of control. On the next Fed pivot, more people will understand this inevitability. Possibly, this could be the last Fed pivot before currency failure.

And let's not forget the underlying cause of all this monetary mayhem. The US Federal Government has been running huge budget deficits which it has funded by issuing new debt. Just last month, the Congress approved another $1.5 trillion omnibus spending bill in the middle of the night to fund the government through September 2022. It seems certain that US Federal Government budget deficits will continue to range between $2 and $3 Trillion per year and will grow even larger if we have an economic downturn which causes tax revenue to decrease and transfer payments to increase as they did in 2008. We are running huge deficits in an ostensibly healthy economy. Imagine what happens with a steep economic downturn. The Fed is in a very tough spot and more printing is inevitable.

With the trend of less foreign purchases of our debt, and the recent seizure of foreign exchange reserves by the US Treasury, the US is not in a strong position to sell additional bonds. History shows that when governments run continual deficits funded by printing money, their currencies fail. Up to now, the US Dollar as the reserve currency of the world has sustained it. However, other countries are taking actions that make that status much weaker. *In Extremis,* we believe that a reserve currency can and will fail, it may just take more time. It will not necessarily fail against other currencies, but it will fail against other Store of Value currencies: to wit: gold and Bitcoin.

Friend and excellent macro analyst Tavi Costa addressed this issue in the following Tweet:

---

[7] In economics, Gresham's law is a monetary principle stating that "bad money drives out good".

Inflation is soaring and bonds are terrible investments. Tavi's chart shows the record issuance of Treasuries. If the Fed is no longer there to buy them via QE. The only way to entice buyers of these bonds is for interest rates to go much higher. This increase will break the economy and the markets given the debt load.

To summarize, it is hard to know what Fed policy will be, how it will affect the markets and when they will pivot to a looser policy. But the math suggests that they cannot tighten in a meaningful way without creating a huge dislocation in the stock and bond markets. We know that the Fed mandate was always full employment (which they have nearly achieved) and price stability (which they are failing miserably at) but we have also learned in the past few years, through Fed Chairman Powell's statements, that they have a third unofficial mandate - financial market stability. When the US Treasury market went NO BID in March of 2020, he vowed to "do whatever it takes" to restore order and stability in that market. Without the US Treasury market, the Federal Government cannot function. If the US Government cannot fund itself, the financial world collapses. Pam Maartens recently noted that for a brief period in March 2020, the Fed issued outstanding swap lines of $17.0 Trillion (very big number) to the largest banks in the world. As the lender of last resort, the Fed must print when faced with financial collapse. So, they will fight inflation as much as they can until something breaks and the collapse begins. Then they will go back to printing. It is truly CHECKMATE for the Fed. In our opinion, the end result will be a collapse of the dollar to worthlessness.

CATALYSTS FOR HIGHER GOLD, SILVER AND BITCOIN PRICES?

As we've discussed in prior letters, the fiscal and monetary predicament (which is a global sovereign and central bank issue, not just a US Fed issue) will cause monetary chaos to accelerate. The exact timing is unclear, but gold, silver and bitcoin mining/infrastructure companies will appreciate materially.

A summary of the 4 key catalysts are:

Catalyst # 1: Inflation and Negative Real Yields will drive further Gold, Silver and Bitcoin Demand

- **Inflation** is running wild.

- **Negative real yields** make holding bonds non-sensical given the current -6% negative real yield (and that's on the government's inflation numbers; in reality, inflation is much higher).
  - There are over $190 Trillion of bonds globally. More institutions are realizing the fallacy of owning bonds given the negative real yields. If only 10% of bonds or $19 Trillion begins to chase the $7 trillion value of gold, silver and Bitcoin – we will be off to the races.

- **Gold and Silver outperform in Stagflationary environments**: (see chart on next page)

Which *Asset Classes* Work in a Stagflationary Environment?

Historical Asset Class Performance During Periods of Stagflation

Start	End	S&P 500	US Dollar	S&P GSCI	Metals	Industrial Commodities	Agriculture/ Livestock	Gold	Silver	WTI Oil	US T10Y (bps)
Q4/1959	Q1/1971	13.2%		-3.5%	-8.8%	-6.4%	8.9%	10.5%	-10.1%	6.3%	-198
Q4/1973	Q3/1975	-5.7%	11.6%	18.3%	21.8%	-1.1%	10.0%	37.2%	64.7%	158.9%	158
Q2/1979	Q2/1981	32.7%	22.6%	33.0%	-7.8%	1.5%	22.8%	77.4%	4.3%	139.7%	472
Q1/1982	Q1/1983	42.9%	6.8%	1.4%	-11.8%	-5.8%	1.6%	29.7%	48.7%	7.5%	-356
Average Nominal Return		**20.8%**	**13.7%**	**12.3%**	**-1.6%**	**-2.9%**	**10.8%**	**38.7%**	**26.9%**	**78.1%**	**19**
Average Real Return		**7.0%**	**-0.1%**	**-1.5%**	**-15.5%**	**-16.8%**	**-3.0%**	**24.9%**	**13.1%**	**64.3%**	

Source: Bloomberg, Incrementum AG

incrementum

<u>Catalyst # 2: The Fed is Trapped: Unable to Fight Inflation and Must Finance Federal Budget Deficits</u>

- **<u>The Fed is Trapped</u>** – unable to raise rates too high and forced to finance government deficits.

  - **<u>Interest Rates</u>**- Can they really increase rates that much with $30Trillion of federal debt? Even 5% rates would lead to interest costs of $1.45T (versus today's annual interest cost of ~$450B). Moreover, the US has a 125% debt/GDP ratio (vs. when Volcker raised rates in the late 1970s debt/GDP was only 30%). They will try to increase rates until markets break like in December 2018, whereupon the Fed will turn Dovish – AGAIN.

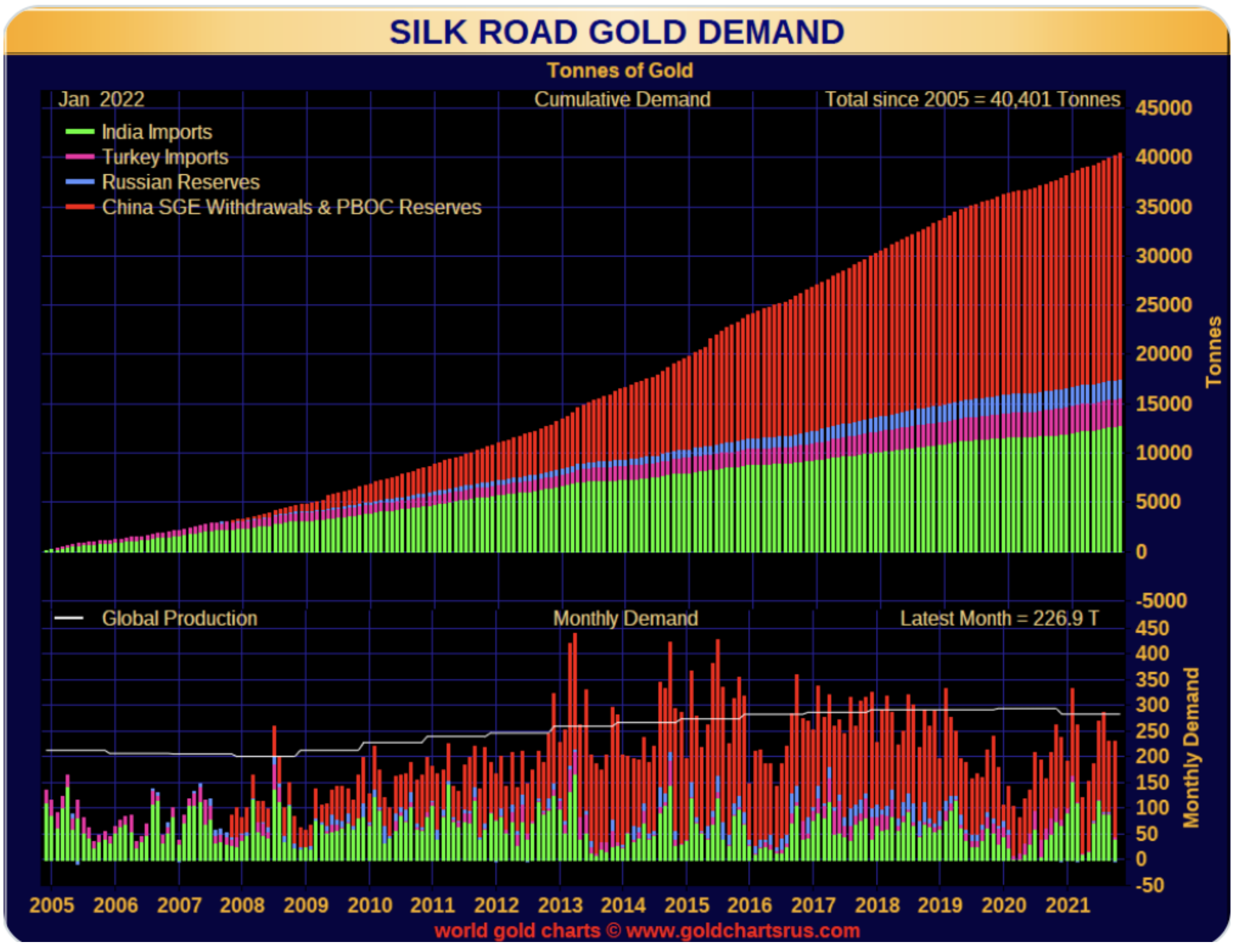
  - **<u>Federal Deficits</u>** continue to swell to greater than $2 Trillion in "good" economic conditions. With the dearth of foreign buyers of Treasuries, the Fed has been forced to buy over 50% of all US Treasury bonds and the M2 money supply is up over 40% in the past two years.

  - **<u>Yield Curve Control</u> –** as markets break and the economy sours**,** the Fed will be forced to do Yield Curve Control (YCC) again, only this time into perpetuity which will catalyze a run to sound money much like the 1960s and 1970s Gold Runs discussed herein.

Catalyst # 3: Alarm Bells for All Central Banks Given the Taking of Russia's FX Reserves

- There are $12 Trillion in Global Central Bank USD FX Reserves. Given ½ of Russia's were just taken, we believe a material amount of global reserves will seek the safe have of sound money assets.

- Global Central Banks are big and bureaucratic (Ocean liners, not speed boats). It will take time, but over coming quarters, we'd expect to see more demand for Gold much as Russia and China's Central Banks have done over the past several years, as seen in this chart below (see the Red and Blue bars swelling each year as they China and Russia gobbled up more gold with their FX reserves).



- **<u>Gold and Bitcoin as Safe Harbor</u>** – As the Gold demand chart shows, the old safe harbor of US Treasury bonds no longer exists for foreigners or global Central banks. Gold and Bitcoin are the likely chosen safe harbors to protect Reserves. Central Banks have been increasing their Gold holdings materially over the past 20 years and likely will only step up their holdings given the macro backdrop.

Further, as our friend and smart analyst Brett Santiago showed in this chart, to fully back each country's money supply, gold prices would need to be a lot higher. Note, this table reflects a 100% coverage of gold to the respective country's monetary medium outstanding. 30%-100% is the typical range. Still, these prices in the red box even at 1/3 the value would be a huge step up in gold prices. Even if we use smaller monetary aggregates like M0 or M1 and 30% coverage the numbers are a far cry from the $1,950 price on our screens.

Gold price needed to back each country's Monetary Aggregates

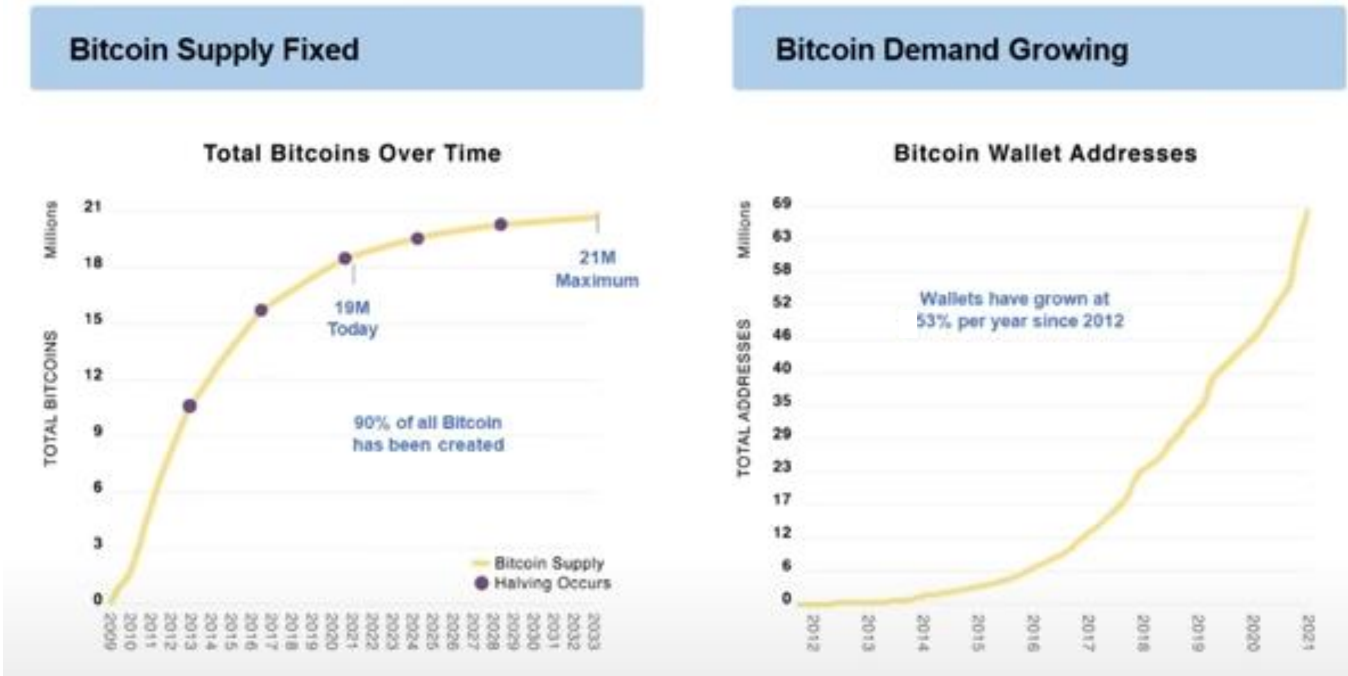
	Country	Gold (Ounces)	M0 (Gold $)	M1 (Gold $)	M2 (Gold $)
1	Canada	-	NA	NA	NA
2	China*	62,540,540	$22,854	$162,947	$599,762
3	France	78,207,780			
4	Germany	107,840,695			
5	Italy	78,721,460			
	G8 Euro Area	280,982,960	$24,812	$45,305	$59,231
6	Japan	27,160,830	$36,733	$320,886	$379,943
7	Russia	73,809,395	$2,295	$6,119	$11,038
8	Switzerland	33,389,200	$24,148	$25,153	$35,893
9	UK	9,952,550	$13,075	$324,800	$480,309
10	US	261,498,000	$24,454	$77,802	$81,977
	Total	**1,014,103,410**	**$16,976**	**$56,963**	**$93,212**

Source: M0, M1 and M2 via www.tradingeconomics.com. Euro Area M0 via Bloomberg. Dates as of October-December 2021
Gold Reserves via World Gold Council as of October/November 2021
Euro Area Gold reserves figure includes France, Germany, Italy as well as the ECBs Gold holdings of 505 tons
Exchange Rate as of January 15, 2022
Assumes 32,105 ounces of gold / ton and a current gold price of $1,818
* There is widely held belief that China has more gold reserves than currently reported

Catalyst # 4: Bitcoin - Early Stages of a Massively Growing Sound Money Ecosystem

- **Bitcoin Supply** - Bitcoin is a scarce asset, with supply growing only 1.5% / year. Ultimately, its supply is fixed at a maximum of 21mm coins (19mm coins are outstanding today). Its fixed supply is hard coded and only can be amended if 51% of network nodes agreed to a change – highly unlikely given Bitcoin's decentralized global network of 15,000+ nodes in over 100 countries (vs. say a centralized system like 12 Central bankers in Washington DC that have increased USD money supply by over 40% in the past 2 years).

- **Bitcoin Demand** – demand is growing rapidly. We see it at the Bitcoin conferences and meet-ups. Further as the right graph below shows, Bitcoin wallets are growing at over 53% /year over the past decade. (not to mention the $30 billion of venture capital that went into Bitcoin infrastructure companies in 2021 many of which are building out the Lightning Network on layer 2 of Bitcoin).



Source: Off The Chain Capital

- Bitcoin is still in the early adoption stages. As the chart below shows, the Biden administration recently said that 25% of Americans own Bitcoin (although we believe the figure is closer to 10% and globally, less than 3% of the adult population has a Bitcoin wallet).

Source: Off The Chain Capital

PORTFOLIO POSITIONING

To Summarize this letter, we feel the Macro Economic backdrop + the key catalysts ahead will drive our portfolio over the next few years. As the chart of gold prices from 1970-2022 on page 10 depicted, gold moved from $35 in 1970 to $800 by 1980. We believe we are around half-way up in this current bull market – with catalysts equivalent to those late 1970s gold rallies still ahead. Further, Bitcoin is an emerging form of sound money and its network has lots of disruptive technologies in process with great upside.

Our Q4 2021 letter provided a lot of detail on our buckets of investments. To summarize that in one picture:

- Typically, the EMA GARP Fund's portfolio will be > 80+ companies.
- Broad categories of investments include:

Gold Miners	50-75%
Silver Miners	20-35%
Bitcoin / Bitcoin VC Investments	15-25%

- Our Gold / Silver Miner Portfolio can further be broken down by:

3 Mining Buckets	% AUM	Comments
Producers / Majors	25-50%	Have at least one operating mine, produce gold and have cash flow. Typically a higher % of AUM early in cycle
Developers	15-30%	Have proven 43-101 compliant reserves and are working to build a profitable mine.
Drill Stories	25-40%	Have land & are drilling to define a 43-101 compliant reserve. VC like torque to portfolio that ETFs don't have.
Bitcoin / Bitcoin VC Investments	15-25%	Includes ~ 5% of the fund is in Bitcoin itself. ~15% of the fund is in Bitcoin related VC investments
Total	100%	

CONCLUDING REMARKS

In what seems like an increasingly chaotic world, we remain confident in how we are positioning our own and your capital. The Fund remains open for existing and new investors. Thank you for confidence in us.

Sincerely,

Larry and David

Lawrence Lepard	David Foley
Managing Partner	Managing Partner
Tel: 508 975-4281	Tel: 617 259-0699
Cell: 617 462-8224	dfoley@ema2.com
llepard@ema2.com	

Equity Management Associates, LLC
Sherborn, Massachusetts

These presentation materials shall not be construed as an offer to purchase or sell, or the solicitation of an offer to purchase or sell, any securities or services. Any such offering may only be made at the time a qualified investor receives from EMA formal materials describing an offering plus related subscription documentation ("offering materials"). In the case of any inconsistency between the information in this presentation and any such offering materials, including an offering memorandum, the offering materials shall control.

Securities shall not be offered or sold in any jurisdiction in which such offer or sale would be unlawful unless the requirements of the applicable laws of such jurisdiction have been satisfied. Any decision to invest in securities must be based solely upon the information set forth in the applicable offering materials, which should be read carefully by prospective investors prior to investing. An investment in EMA not suitable or desirable for all investors; investors may lose all or a portion of the capital invested. Investors may be required to bear the financial risks of an investment for an indefinite period of time. Investors and prospective investors are urged to consult with their own legal, financial and tax advisors before making any investment.

The statements contained in this presentation are made as of the date printed on the cover, and access to this presentation at any given time shall not give rise to any implication that there has been no change in the facts and circumstances set forth in this presentation since that date. These presentation materials may contain forward-looking statements within the meaning of US securities laws. The forward-looking statements are based on EMA's beliefs, assumptions and expectations of its future performance, taking into account all information currently available to it, and can change as a result of known (and unknown) risks, uncertainties and other unpredictable factors. No representations or warranties are made as to the accuracy of such forward-looking statements. EMA does not undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made. Historical data and other information contained herein, including information obtained from third-party sources, are believed to be reliable but no representation is made to its accuracy, completeness, or suitability for any specific purpose.

No representation is being made that any investment will or is likely to achieve profits or losses similar to those shown. Past performance is not indicative of future results. This report is prepared for the exclusive use of EMA investors and other persons that EMA has determined should receive these presentation materials. This presentation may not be reproduced, distributed or disclosed without the express permission of EMA.