EMA GARP Fund, LP. --- Report for the Fourth Quarter and Year ended December 31, 2024

KEY TAKEAWAYS

- **Fiscal Dominance**
  - Federal Government spending continues to grow at a break-neck pace.
  - The US Deficit was $1.8 Trillion in FY end Sept 2024 and the first two months of FY 2025 show a $624 Billion deficit already ($3.7 T run-rate) (CBO est. FY 2025 Deficit of $2T).
- **Department of Government Efficiency (DOGE)**
  - Absent radical restructuring of entitlement programs, it will be hard to cut $2 trillion
  - The Committee for Responsible Federal Budget could only identify $700 Billion of Potential Deficit Reduction Options --- OVER 10 years, cumulatively that is, they could ID $700 Billion (or $70 Billion / year)
- **The Federal Reserve: Trapped**
  - The problem for the Fed is that math and the bond market dictate they must print money and grow the money supply.
  - Recent data suggests that inflation might make a reappearance – Ag commodity prices are growing; Labor prices are growing. Global M2 Money Supply is growing again
- **Markets Smell Future Inflation**
  - In spite of the 2024 stock market rally, Gold, Silver, Bitcoin are doing well too
  - Gold prices are rallying, in spite of a positive real yield
- **Stock Market**
  - "Everything bubble" has led to extreme overvaluation in the stock market
  - Extreme overvaluation in the stock market, and if it stumbles, the fiscal problems would only become worse forcing the Fed into massive monetary accommodation
  - Equity bulls argue that AI will drive all sorts of productivity gains. However, valuations may be ahead of themselves like they were in the 1920s or 2000
- **What is Driving Gold Higher?**
  - US fiscal problems have not abated post Covid.
  - BRICs countries transact more frequently in non-dollar currencies, and then, if necessary, settling any trade imbalances in Gold. Central banks have been aggressive buyers of Gold
  - We have almost the perfect storm to make gold perform well. The economy is weakening, an enormous credit bubble is collapsing, and monetary debasement is in full swing
- **Silver & Bitcoin**
  - Silver - Demand outstripping supply given growth in solar and EVs
  - Bitcoin – up 121% in 2024 given macro backdrop + ETF launches + Trump's crypto policies
- **Gold Miners –** remain very cheap vs. the Bullion
- **Lavras Gold –** Outstanding drill results; reserves growing. Attractive future upside
- **Portfolio Construction –** 55% Gold Miners; 23% Silver Miners; 15% Bitcoin related (Public); 7% Bitcoin VC (Private)

RESULTS SUMMARY

This is the EMA GARP Fund L.P. report for the fourth quarter and year ended December 31, 2024. For the month of October, the Fund increased in value by 7.32%. In November, the Fund decreased by 5.14%. In December, the Fund decreased in value by 9.31%. For the quarter, the Fund value decreased by 7.67%. For the full year the Fund was up 19.23%

Quarterly	Return*	Cumulative
Q4 2024	-7.67%	19.2%
Q3 2024	12.70%	29.1%
Q2 2024	9.24%	14.6%
Q1 2024	4.89%	4.9%

Monthly	Return*	Cumulative
December	-9.31%	19.2%
November	-5.14%	31.5%
October	7.32%	38.6%

Annual	Return**	Since Inception
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%
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 fourth quarter of 2024, the EMA GARP Fund decreased in value by 7.7%. For the full calendar year ended December 31, the Fund was up 19.2%.

The schedule below shows the Fund's performance compared to the general stock market indices, and the gold stock indices for the fourth quarter and year ended December, 2024.

Quarterly and Full-Year 2024 Results Comparison

	Q1	Q2	Q3	Q4	YTD
EMA Garp Fund, LP	4.9%	9.2%	12.7%	-7.7%	19.2%
DJIA	6.1%	-1.3%	8.7%	0.5%	12.9%
S&P 500 Index	10.6%	4.3%	5.9%	2.1%	23.3%
NASDAQ Composite	9.3%	8.5%	2.8%	6.2%	28.6%
XAU/ Gold/ Silver stocks	1.5%	8.6%	16.0%	-13.6%	9.1%
HUI Gold Stocks Index	2.1%	8.8%	19.8%	-13.8%	13.3%
GDX Gold Majors ETF	2.0%	7.3%	17.4%	-14.8%	9.4%
GDXJ Gold Juniors ETF	2.2%	8.7%	15.9%	-12.4%	12.8%
GOEX Gold Explorers ETF	4.4%	4.0%	21.5%	-11.6%	16.5%
SIL Silver Miners ETF	-3.2%	13.6%	12.5%	-9.5%	12.0%
Gold Bullion	8.1%	4.3%	13.2%	-0.4%	27.2%
Silver Bullion	4.9%	16.7%	6.9%	-7.3%	21.4%
Crude Oil	16.1%	-2.0%	-16.4%	5.2%	0.1%
Goldman Sachs Commodity Index (GSCI)	10.0%	0.4%	-5.2%	3.7%	8.5%
Wisdom Tree Commodity Index (GCC)	8.9%	2.6%	1.1%	-1.4%	11.2%
US Government 10 Year Yield	4.20%	4.40%	3.78%	4.57%	
US Dollar Index	104.49	105.87	100.78	108.48	
Bitcoin	66.7%	-11.4%	3.0%	47.5%	121.0%

QUARTERLY OVERVIEW

The fourth quarter was a disappointing quarter for the Fund. While October was strong, the November 5th election of Donald Trump was a big positive for the stock market and therefore a big negative for gold stocks. Recall that gold stocks compete with all other stocks for investment dollars. Trump's election led investors to believe that his business-friendly policies would solve the Federal Government's problems and it sparked one month rallies of 6.7% in the S&P 500 and 10.7% in the NASDAQ 100. Concurrently, the gold stock indexes got hit hard.

Specifically, Trump announced a plan to form a new governmental department called The Department of Government Efficiency (DOGE) headed by Elon Musk and Vivek Ramaswamy, tasked with the job of cutting government waste and balancing the budget. Musk made some outrageous claims about how they could solve the budget deficit and generate $2 Trillion in savings. If deficits and inflation are going to abate who needs gold and gold stocks?

Our reaction is: not so fast. We will dig deeper into this in a minute, but DOGE cannot come anywhere near achieving what Musk is promising.

There are several other interesting take aways from the Quarter and Year.

- Gold and silver bullion outperformed regular stocks and gold stocks. This is a rare occurrence and a clue to what is happening.
- Bitcoin, a good barometer of monetary debasement and inflation had a stellar Q4 and Year, up 47% and 121%, respectively. (Note the Fund's publicly marked Bitcoin investments now equal 15% of total fund value, and private Bitcoin investments represent an additional 6% weight).
- 10-year UST note and the dollar index (DXY). The U.S. 10-year bond yield jumped 21% to a yield of 4.57% and the dollar index was up 7.6% to 108.5. Both of these moves are highly unusual in an environment where the Fed is cutting rates. This suggests to us that the bond market investors are worried about future monetary debasement. We consider it to be a very good sign that the gold price has hung in near its recent high despite these interest rates rising.

FISCAL DOMINANCE[1]

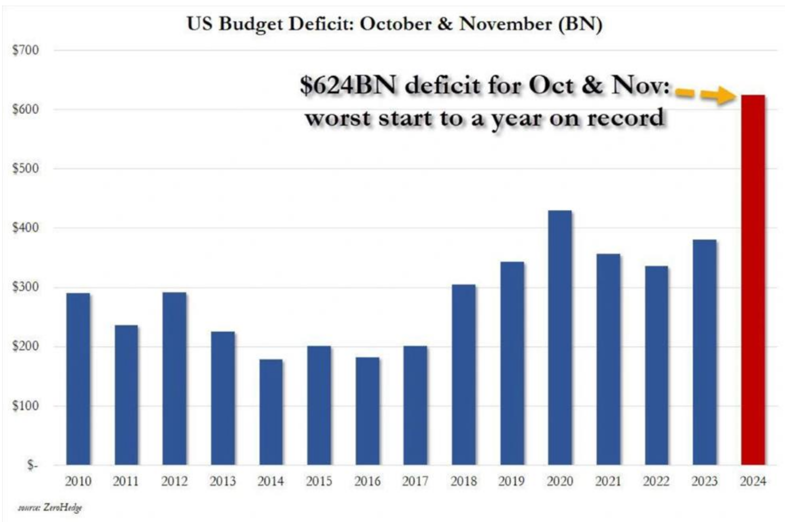
The biggest story of the quarter and the year was the way in which the Federal Government spending continued to grow at a break-neck pace. This led to a stronger than expected economy with GDP growth of 3.0% and record highs in the US Stock market, which were achieved in early December.

In our last quarterly report, we presented the following chart which we have updated to show September, October and November.

[1] Fiscal dominance is an economic condition that occurs when a country's debt and deficits are so large that even monetary policy tightening can't control inflation, and the government's spending needs may "dominate" the Federal Reserve's efforts to reduce inflation.

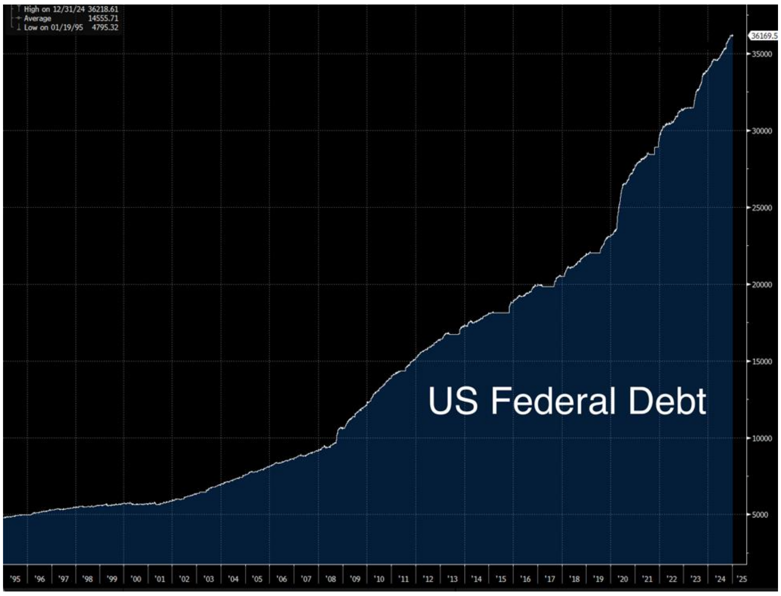
Monthly U.S. Federal Budget Deficit ($Bn)		
	Fiscal 2024	**Fiscal 2025**
October	67	258
November	314	366
December	129	
January	22	
February	176	
March	262	
April	176	
May	347	
June	66	
July	119	
August	380	
September	63	
Total	**1,800**	**624***
***$3.7T annualized, but CBO estimates are $2T area**		

While the fiscal 2024 deficit of $1.8 trillion was quite large, the first two months of the new 2025 fiscal year accelerated the pace of spending. Some of this was driven by a Democrat Administration doing everything possible to try to win the election and remain in power. How bad were these two months? The answer is pretty bad. Have a look at the next chart which shows the October and November spending for the past 14 years. The $624 billion deficit in those two months was 64% bigger than the prior year and even exceeded the 2020 COVID year deficit by a large measure. Growth in spending of 64% year over year is out of control!



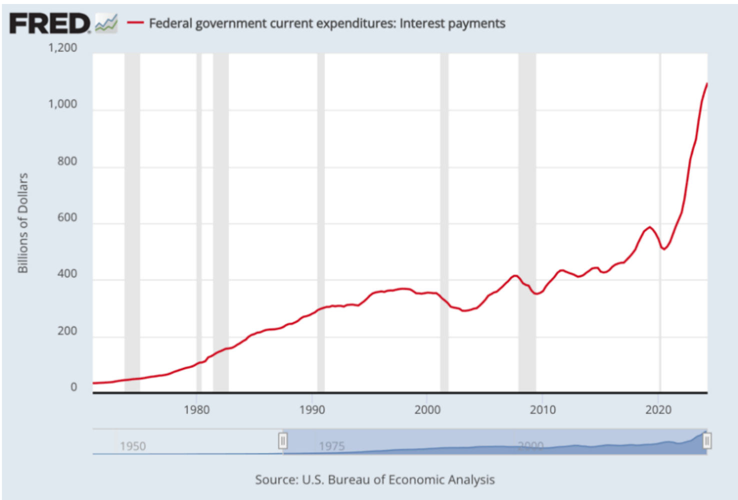
As the next chart shows the Federal Debt continues to grow dramatically and the problem is getting worse.

U.S. Federal Debt (1995-2024)



The problem with this type of debt growth is that interest must be paid on the existing debt which then increases the annual deficit. This is what is being called the Debt Doom Loop or Debt Spiral. More debt, more interest expenses, bigger deficits which then require more debt. It is a self-reinforcing cycle. And the dirty secret of math is IT COMPOUNDS which feeds the doom loop. This is the exact definition of a Sovereign Debt Crisis which often leads to a currency crisis, or loss of faith in the currency.
We can see in the next schedule interest expenses are growing rapidly.

U.S. Federal Government Interest Expense (1971-2024)



DEPARTMENT OF GOVERNMENT EFFICIENCY (DOGE)

With this gloomy debt backdrop, Trump's election was a ray of sunshine that arrived to calm investor's fears about this issue. His DOGE team of Musk and Ramaswamy lost no time in laying out their plan to reduce government spending by $2.0 trillion per year. Analyzing the numbers, we consider this claim to be absurd. And to be fair they have since backed off that initial lofty goal and now concede that cutting that much is unrealistic.

Markets knee jerk reaction to their plan was that the debt spiral can be tamed or halted.

Let's examine reality. In Fiscal 2024, the Federal Government spent $6.75 trillion. Here are the largest expense buckets:

		FY 2024		
Spending Category $Billion	**FY 2019 Actual**	**Baseline**	**Actual**	**% over Budget**
Mandatory Spending	**$2,735**	**$3,094**	**$4,014**	*30%*
Social Security	1,038	1,174	1,448	
Mediare (health for elderly)	644	729	870	
Medicaid (health for poor)	409	463	618	
Unemployment & Welfare	302	342	551	
Federal pensions, student loans, agriculture	342	387	527	
Discretionary Spending	**$1,337**	**$1,513**	**$1,789**	*18%*
Defense	676	765	826	
Education, housing, transportation	661	748	963	
Net Interest Expense	**$375**	**$424**	**$949**	*124%*
Total Spending	**$4,447**	**$5,031**	**$6,752**	*34%*
As % of GDP	*21%*	*18%*	*24%*	

Source: CBO

Notice how the $6.75 Trillion of 2024 actual spending was higher than the CBO baseline estimates of only $5 Trillion. Also notice how overall spending is $2.3 Trillion higher than FY 2019 and how net interest expense is up 2.5x over the past 5 years.

Mandatory expenses represent 60% of total spending. Additionally, interest expense is mandatory unless the U.S. wants to default on its debt. Social Security, Medicare and Medicaid are considered the third rail of politics. Of the Discretionary items, perhaps defense or education could be cut a bit , but no politician dares propose cuts. What we see is that absent radical restructuring of entitlement programs and/or the defense budget, it will be hard to cut $2 trillion. Some quick math suggests that it would take 40% cuts in Social Security, Medicare/caid and Defense to reduce the deficit by $1.5 trillion. Good luck explaining to retired people and the military that they have to live on 40% less than they are currently receiving. Also, keep in mind that estimated Median balance of TOTAL savings of Americans is only $8,000[2]. (yes, we here reading and writing this are blessed beyond our imaginations).

Don't get us wrong. We are rooting for Trump, Musk, et. al. but we are also realistic and expect that it will be challenging to take $500 billion out of this budget, much less than our current $2.5 trillion dollar annual deficit run rate.

A few independent sanity checks on our math include:

- **The Committee for a Responsible Federal Budget (CRFB)** – they could only identify $700 Billion of Potential Deficit Reduction Options --- CUMULATIVELY over the next 10 years, (or only savings of $70 Billion / year). Maya MacGuineas, the president of CRFB recently pointed out on a Bloomberg interview that "DOGE points out the savings in the bureaucracies, but it won't save much money. That's not where the dollars are; the dollars are in interest, Medicare, Medicaid and national security…. We will need to get savings from the Mandatory Spending and that will not be easy to get pushed through." https://www.crfb.org/blogs/700-billion-easy-deficit-reduction

- **New Treasury Secretary Scott Bessent's** – Bessent has laid out his 3/3/3 plan which 1 of those "3s" is to get to an annual deficit of 3% of GDP by 2028 (4 years from now). Fiscal 2024 saw a 6.4% deficit ($1.8T) / GDP ($28T). To get that deficit / GDP down to 3% in 4 years would portend cutting approximately $300 billion / year off the annual deficit (assuming GDP grows at 2% / year each of the next 4 years). That $300 billion expense reduction / year is a far cry from the $2 Trillion in cuts Musk/Vivek have discussed. Bessent realizes that fiscal dominance is in effect and any massive cuts would actually harm the economy greatly.

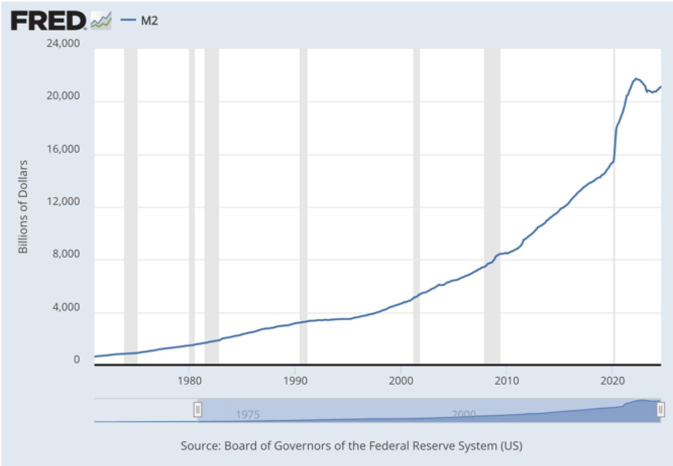
Ultimately reality will become clear, and investors will realize that there is no easy fix to the Federal government's fiscal mess. When this becomes apparent, the stock market and economy will roll over, the debt burden will bite, and the Federal Reserve will have no choice but to fire up the monetary printing press—once again.

THE FEDERAL RESERVE: TRAPPED

When COVID hit, the Fed loosened dramatically, took rates to zero and provided massive QE stimulation to accompany the direct fiscal stimulus checks and the Payroll Protection Program (PPP). This created the biggest inflationary burst since the 1970's which started in 2021 and peaked with CPI inflation at 9.1% in June of 2022. Fed Chairman Powell initiated his aggressive rate hike campaign in March of 2022 and rapidly took the Fed Funds rate to 5.5%. This reversed the growth of the money supply (M2) as seen in the next chart, and higher rates began to tame inflation.

[2] Source: Grok AI engine on X. Bankrate.com and moneygeek.com

U.S. M2 Money Supply (1971-2024)



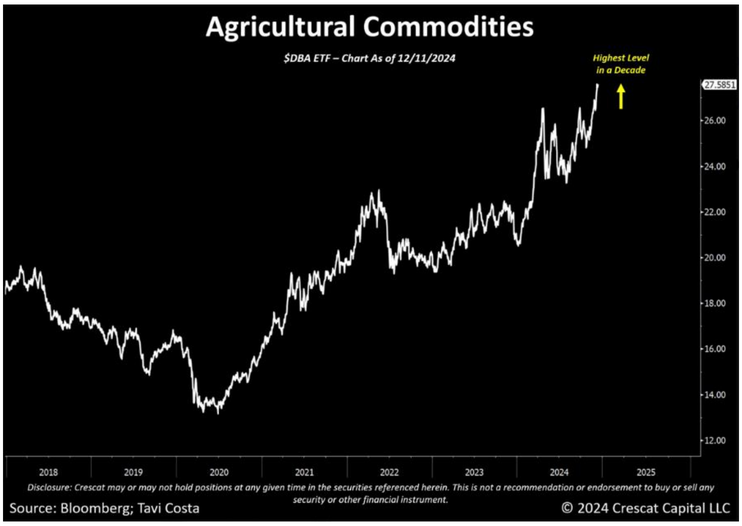
The problem is that the U.S. bond market did not like a higher Fed Funds Rate, and in the fall of 2023 the U.S. 10-year Note interest rate rapidly spiked to over 5.0%. This quickly led to a chorus of 12 Fed governors announcing the end of the rate hiking cycle. This move echoed a very similar event in the U.K. bond market in October 2022 when Britain announced tax cuts and their bond market yields sharply spiked higher. Britain had to immediately reverse their policy.

What we are seeing here is that the bond markets are calling the Fed's bluff. Without monetary accommodation the bond market cannot survive.

The problem for the Fed is that math and the bond market dictate they must print money and grow the money supply. But, in the meantime there is a lot of evidence to suggest that they have not tamed inflation. Let's examine that.

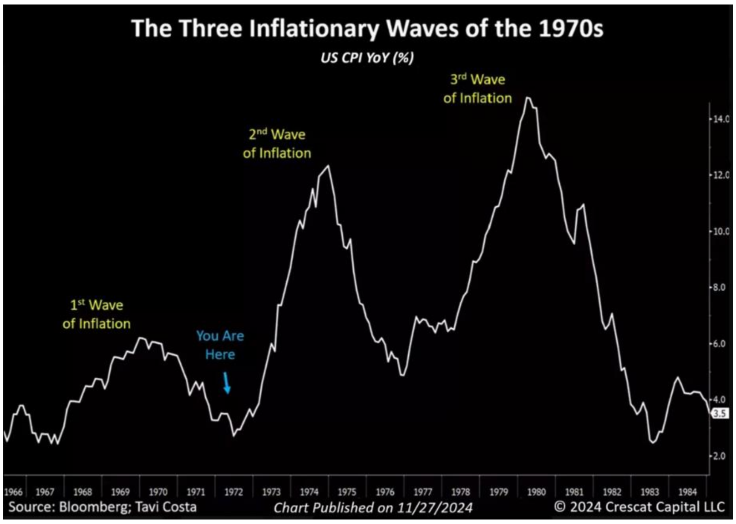
Since the 1978 legislation clarified the Fed's dual mandate of full employment and price stability, the Fed's 2% inflation target has emerged (oddly they call this price stability--we disagree). CPI, after dropping steadily from the 2022 9% peak has taken a turn in the wrong direction. The September CPI was 2.4%, October was 2.6%, November was 2.7% and December came in at 2.9%. Because prior to September the CPI appeared to be coming down, the Fed initiated a rate cutting cycle in September of 2024 with a cut of 50 basis points. This was followed by additional cuts of 25 basis points in each of November and December. The Fed Funds rate is currently 4.5%.

The Fed's problem is that recent data suggests that inflation may be reappearing and as we will see in a minute that is what markets are signaling. Several indicators point to the possibility of higher inflation. First, let's look at commodities. For 2024, the major commodities indices were all up 6% or so which is much higher than the Fed's target. In particular there has been meaningful inflation in agricultural items which is why trips to the grocery store have become so painful. Note below how a broad basket of agricultural commodities increased in price by 28% in 2024! A long way from the 2% target.



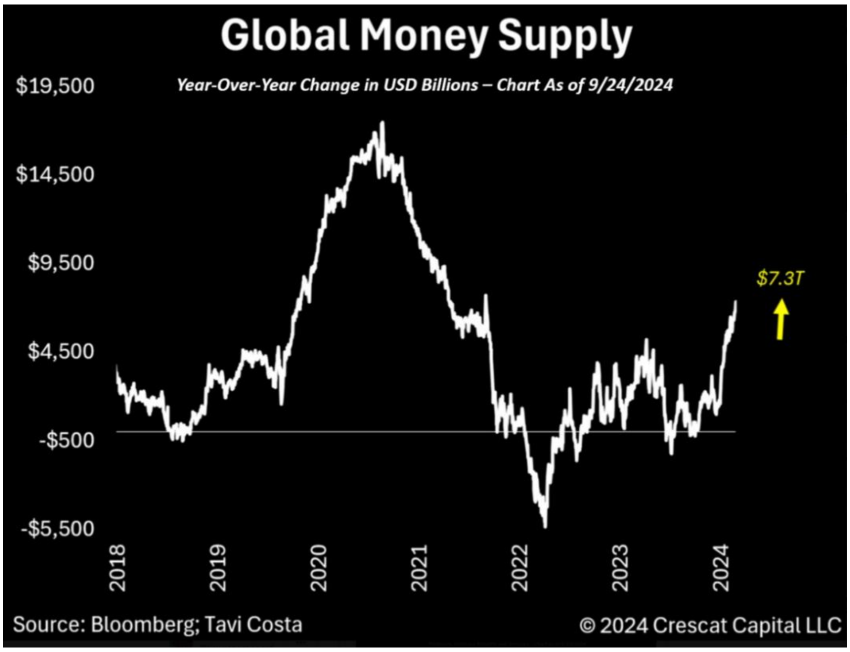
Another area where we see inflation not being contained is in labor prices. A perfect example of this is in October the Longshoreman's Union which controls the loading and unloading of the nation's ports threatened to strike. To avert the strike, they were granted a 62% pay increase over 6 years. Annualized wage growth of 10% is a long way from the Fed's 2% target.

Similar labor deals have been renegotiated everywhere. The Airline workers, the Writers Guild, Maritime Officers, Postal Workers and the United Auto Workers have all been able to secure wage increases well in excess of the 2% target. This is what happens with inflation. Especially when the economy is not in a recession. Inflation hurts workers and they are able to demand higher wages. This is a tough cycle to break as we saw in the 1970's. In fact, the following chart shows how the Fed struggled to contain inflation in that period with alternating cycles of rate hikes and rate cuts. Of course, this analog is not perfectly comparable because some of the 1970's inflation was driven by the Arab oil embargo in 1973-1974. Nevertheless, we believe that our present decade will be an inflationary one.



Furthermore, we believe that we may be on the cusp of another inflationary break out. As evidence for this we offer the next chart which shows the year over year change in the Global Money Supply (M2). This includes not only the U.S. figures but also the figures from China, Europe, Britain, Canada and Japan. Because money is very fungible it is the broadest look at how much money is in the system.

The chart nicely shows the enormous growth in 2020 which led to the inflationary burst. It also shows how this tapered off and money supply growth actually went negative for a period in 2022. Since that time growth has resumed and now in late 2024 it appears to be accelerating again. We believe this implies that we have more inflation in our future, and guess what? The markets agree.

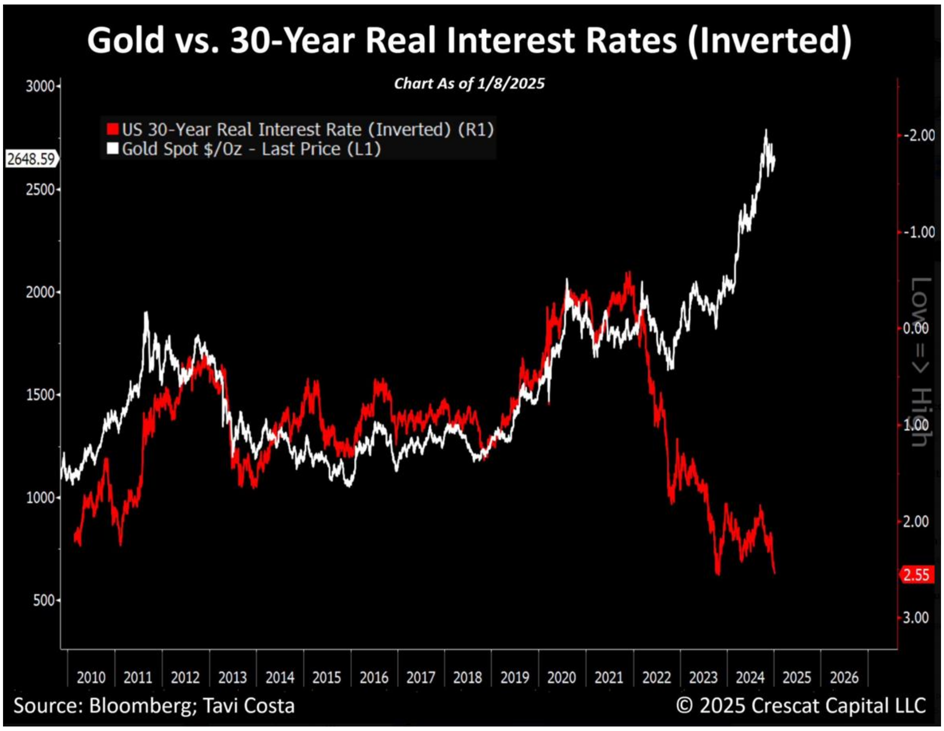


MARKETS SMELL FUTURE INFLATION

One of the most interesting market developments during 2024 is that in spite of the stock market doing well, the "sound money" assets (Gold, Silver, Bitcoin) are doing well too. More generally speaking these assets are negatively correlated. In fact, as mentioned earlier it is very unusual for the stock market to be strong and for the prices of gold and silver to outperform it.

We believe that this is because the markets can see that the Federal Reserve is trapped and they are sniffing out future monetary accommodation. Historically, the price of Gold has correlated with the real interest rates. This makes sense. When bonds offer high real interest rates, or good inflation adjusted returns, then they are more attractive than gold. The opposite is also true.

The next schedule below shows the price of gold versus the real interest rate on bonds (inverted). Note the tight correlation from 2010 to 2022. We have also examined this over much longer historical time frames and the correlation is quite strong. Then note what happened in 2022. When the U.S. seized the $600 billion of Russian foreign exchange reserves the two data series began to diverge. Gold suddenly looked more attractive than Treasury bonds which could be seized. This divergence has persisted because the markets are sniffing out future inflation.

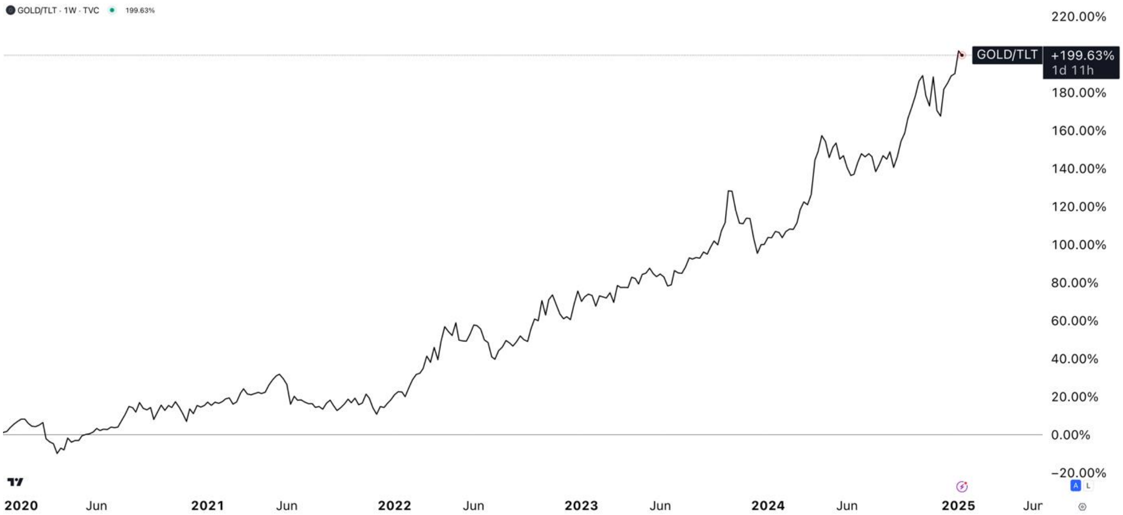


GOLD, SILVER AND BITCOIN SIGNAL INFLATION

We used to live in a world where the U.S. Treasury bond market was the base layer collateral for all financial markets. Due to the U.S. fiscal malfeasance and the inflation that has resulted from these policies, we see sound money alternatives sending an inflation risk signal that is loud and clear.

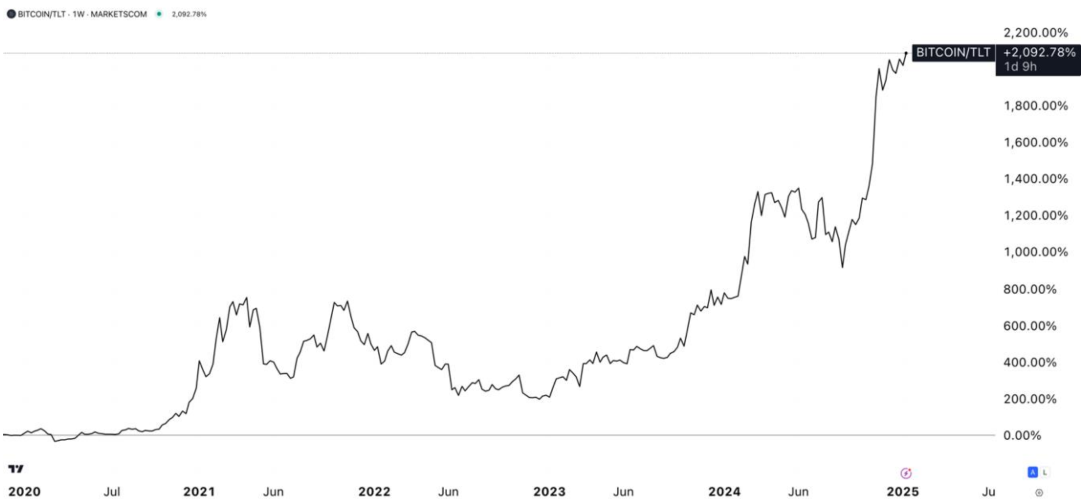
The two biggest canaries in the coal mine of money printing and monetary debasement are Gold and Bitcoin, and below we see Gold's outperformance vs. sovereign bonds (Gold up 200% compared to U.S. T-Bonds since 2020).

The Sovereign Debt Crisis Has Started
2020 to Present: Gold Return in 20 Year T-Bond Terms



Bitcoin too is up 2,093% compared to U.S. T-Bonds since 2020.

The Sovereign Debt Crisis Has Started
2020 to Present: Bitcoin Return in 20 Year T-Bond Terms



What we think is occurring is that we are on the cusp of entering a sovereign debt crisis where the Fed will be forced to add the kind of monetary accommodation that they did in 2008 and 2020. They will be forced to stop quantitative tightening (QT), drop interest rates to zero and resume quantitative easing

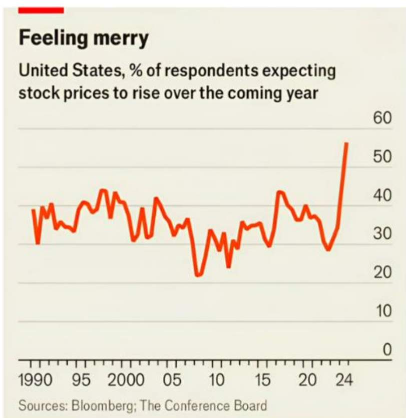
(QE) by buying all sorts of Treasury bonds, asset backed securities and likely even equities. We have been referring to this as **The Big Print**. When it happens, the sound money assets that the fund holds will perform extraordinarily well. In the meantime, we mark time waiting for this event.

STOCK MARKET

In past letters, we have explained how this "everything bubble" has led to extreme overvaluation in the stock market. Nothing has changed on this front, and in December most of the major averages made new record highs. If the stock market were to stumble, the fiscal problems discussed above would only become worse forcing the Fed into massive monetary accommodation.

The next chart shows how overvalued the stock market is:

Another interesting stock market data point is the following chart from early December:



This schedule shows that the level of bullishness among stock market investors has not been higher in the past 30 years. If you are a contrarian investor this is not a good sign.

While we see many signs of an everything bubble, we do always consider other viewpoints. Stock market bulls argue that the great AI revolution will drive Robotics, AI Inference and all sorts of productivity gains. No doubt, the HUGE capex ramp by the AI “hyperscalers” (Google, Meta, Amazon, Microsoft, Apple and Oracle) has been stunning to watch – with a near doubling of capex spend in 2024 year/year.

CAPEX, $ Billions

Source: Brad Gerstner; Bloomberg;

Nividia has been the largest beneficiary because of its superior chip technologies, and its market cap has gone up 11x over the past 4 years from $300 Billion to $3.3 Trillion.

Reasonable minds can debate whether this AI buildout is equivalent to the “industrial revolution” or whether others are right that this is similar to the 2000 Dotcom/Telecom bubble and overcapacity will create real problems for tech valuations and the markets in general.

Further, as the chart below shows, bulls would argue that earnings growth is still solid for the Mag 5 stocks and that the 495 other names in the S&P 500 will also resume earnings growth acceleration given Trump’s tax cuts, efficiency gains etc.

Source: Brad Gerstner; Bloomberg; Mag5 = META, MSFT, GOOGL, NVDA, AMZN

There are certainly all sorts of interesting technology developments – Tesla's self-driving capabilities are impressive; developments in AI and Robotics are also very impressive. It is clear that these technologies will have a huge impact on our world in the decade ahead but the valuations may be ahead of themselves. Like they were in 1929 and 2000.

WHAT IS DRIVING GOLD HIGHER?

Here is a statement that you would never hear from the current Treasury Secretary, Janet Yellen

> "I think we are in a long-term bull market for gold. We're seeing reserve accumulation by central banks. I follow it closely. It is my biggest position. Even I was surprised when the central bank of Poland said they want to take their gold reserves to 20%."
>
> Scott Bessent, Secretary Nominee, U.S. Treasury, 11/2/24

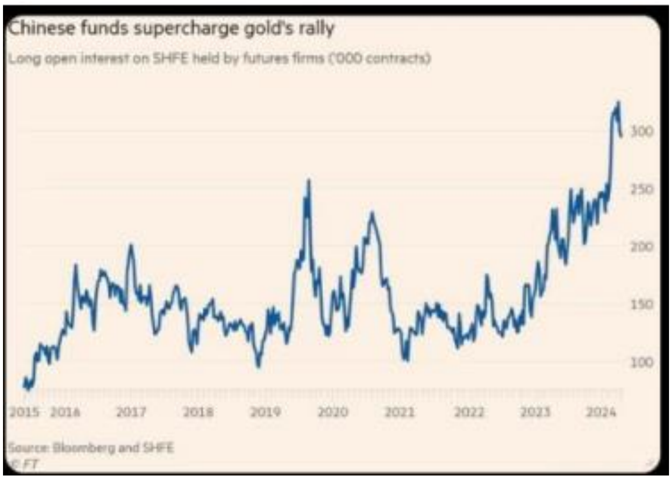
Note that Bessent has also said that he believes a monetary restructuring similar to what occurred at Bretton Woods may be necessary, and that he wants to be at the table if that happens. And finally, there has been talk that the new Trump administration may create a Bitcoin Strategic Reserve, something that would contribute to neutral reserve assets like Gold and Bitcoin playing a larger role. We don't know what will happen, but these statements suggest that the new administration may understand the monetary issues we are facing. They may also take steps which benefit the assets we hold. The reason why the US and other sovereigns need to ensure they have enough Gold and Bitcoin, is that when (not if, in our opinion) a Bretton Woods like monetary reset happens in the future, new pro forma currencies will need to be backed by scarce, sound monetary assets with no counterparty – Gold and Bitcoin being the clear choices. The US having enough Gold and Bitcoin ensures they are in a strong position on the other side of that type of global monetary restructuring.

As the chart below shows, gold broke out from a three-year ceiling of roughly $2,070 per ounce, earlier this year in March. Once it pierced that level, it rapidly advanced to $2,650 per ounce where it stands today. This is a 28% advance in roughly six months. Impressive.

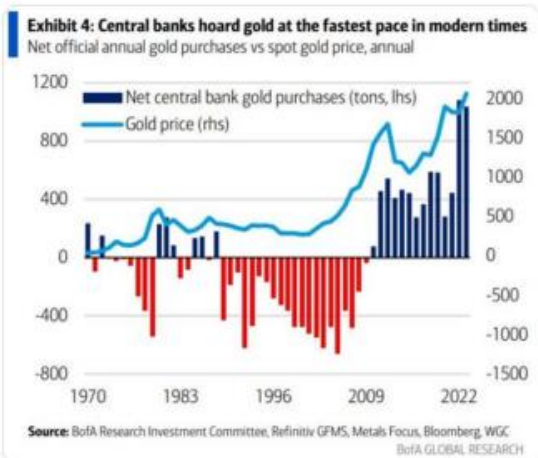
We believe there are a number of factors behind gold's record high price:

1. Fiscal Dominance described above is becoming more well understood. We were a lonely voice over the past few years (arguably decades) saying that monetary debasement was nearly assured given the way our financial system is structured. From what we currently read in the press, our non-consensus view is becoming mainstream. The U.S. fiscal problems have not abated post COVID and post stimulus, and we now see that it takes continued deficits to keep the economy growing and the stock market from collapsing. Gold is very sensitive to potential monetary debasement, and it smells the coming debasement/monetary inflation.

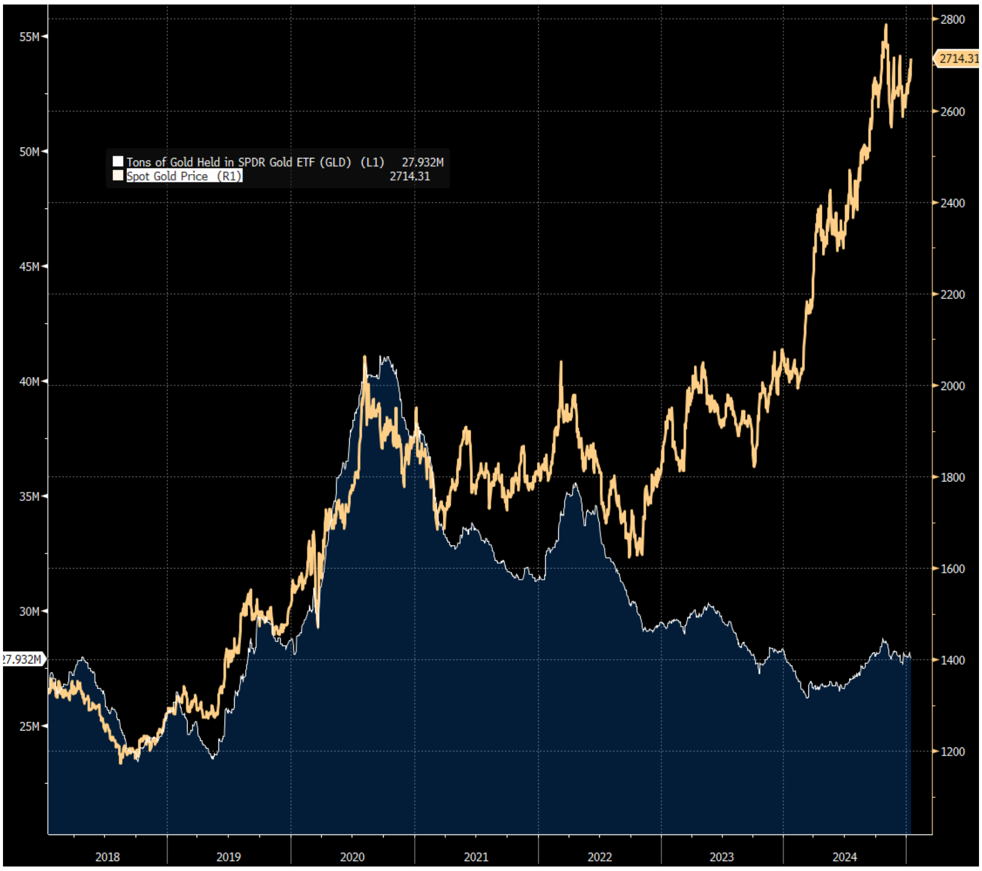
2. Following Russia's 2022 invasion of Ukraine, the U.S. weaponized the dollar by seizing Russia's foreign currency reserves ($600 Billion) and locked them out of the Swift payment system. This has caused global financial entities to transact more frequently in non-dollar currencies, and then, if necessary, settling any trade imbalances in Gold. The BRICS countries are growing in number (10 countries presently, with many more having applied to join) and oil now trades in Yuan, Rupees and Rubles. JP Morgan estimates as much as 25% of global oil trade is now non-dollar. When a middle eastern oil producer sells oil to China for Yuan, if they do not have a corresponding good that they want to purchase from China, they can easily convert their Yuan into gold on the Shanghai Gold Exchange. In fact, we have seen volumes on this exchange grow rapidly. The schedule below shows this:



3. Central Banks have also come to a similar conclusion about holding dollar reserves and as the chart below shows they have become large gold buyers.



4. Until recently, the largest U.S. gold ETF, GLD, was seeing its tonnage shrink (white line in chart below). And yet this was occurring as the price of gold hit record highs. This implies that the U.S. investor appetite for gold has been shrinking, yet the foreign purchasers have driven gold bullion to a record high price. Meaning that gold fever has not even begun to hit the U.S. yet. Recently, the tons held by this ETF have begun to increase again and this demand will likely fuel additional price gains



When investors have savings and try to find the best place to invest them, they generally consider traditional alternatives of stocks, bonds and precious metals. Stocks work great when monetary stability exists, the economy is growing, and credit is expanding healthily. Bonds work well too when monetary stability exists although they have less upside than stocks and they work best in deflationary or decreasing inflation environments. Bonds do extremely poorly in inflationary environments like the present one.

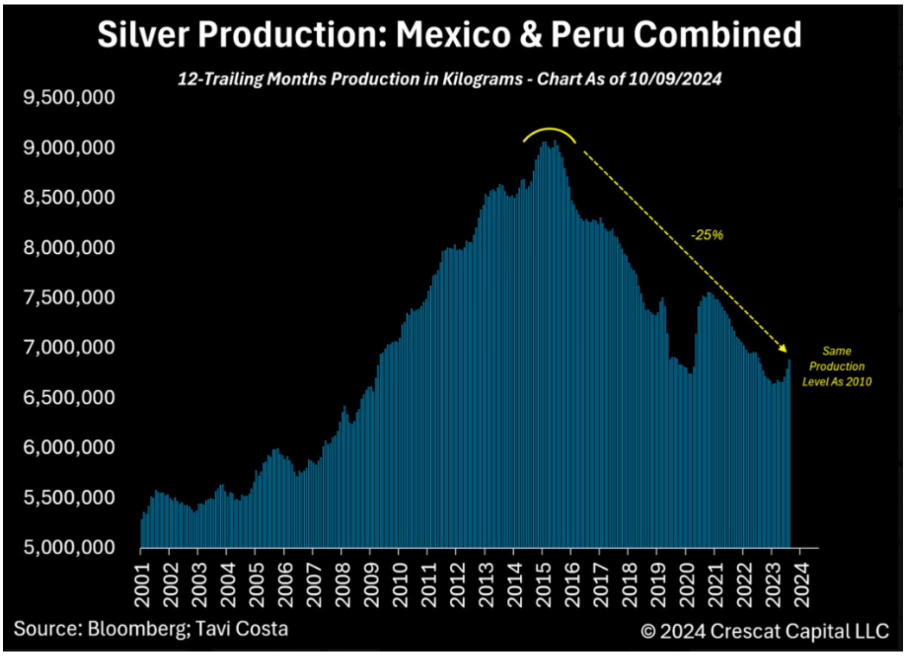
Gold is dead money when the economy is healthy, and the monetary unit is not being debased. However, when the economy turns unhealthy, a credit bubble collapses or monetary debasement is present, gold performs extraordinarily well. Presently, all three of these conditions exist. (or are about to exist).

We have almost the perfect storm to make gold perform well. The economy is weakening, an enormous credit bubble is collapsing, and monetary debasement is in full swing.

HI HO SILVER!

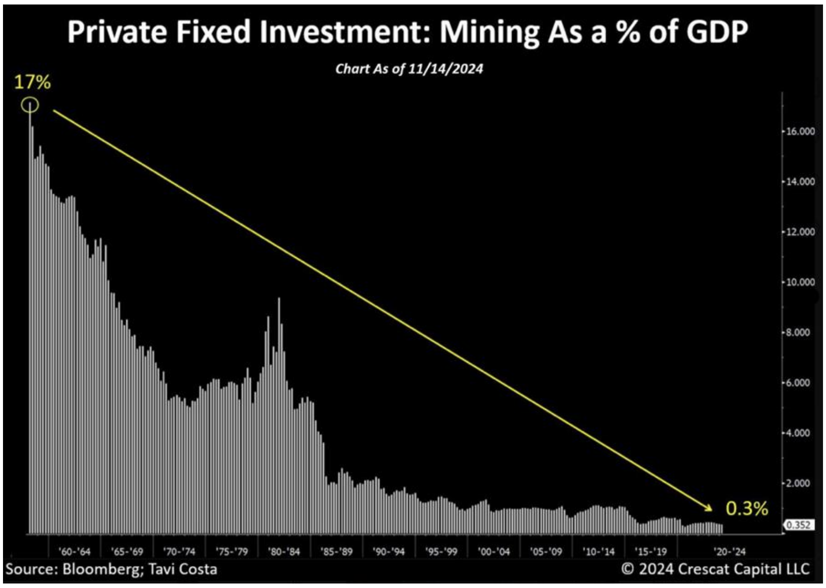
In prior reports, we have outlined how the growth in solar and electric vehicles has driven demand for silver. We see this trend continuing and as a reminder projections show that in five years, solar applications could consume over half of the world's silver production, up from 14% today.

For a number of years, there has been a deficit in silver production and this situation is not being helped by the production profile of two out of the three largest countries which produce silver.



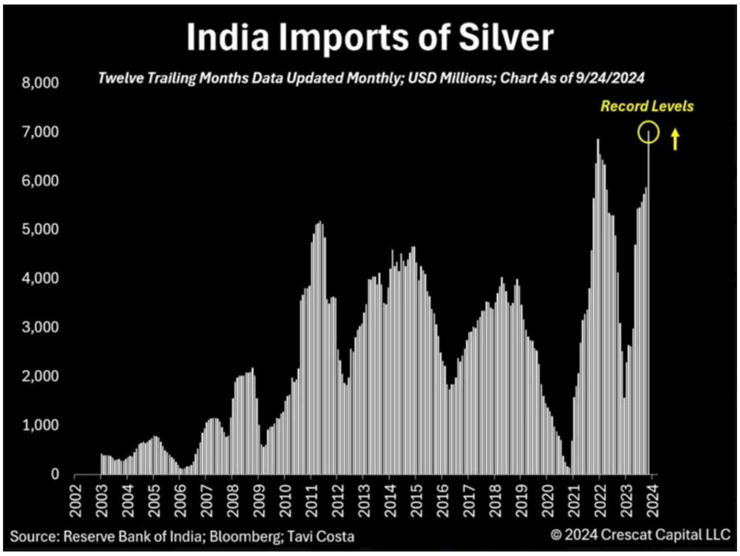
Note that Mexico is the world's largest producer of silver with 25% of the world output. China produces 13% of the world's silver and Peru produces 12%. All other countries are distant followers with Chile, Russia, Australia and the U.S. producing less than 5% each.

These production declines are driven by industrywide underinvestment. Silver, currently at $30/oz is the one metal that has not approached its all-time high of $50/oz . The average all in mining costs for silver (ASIC) is now running $26/oz. With a $30 selling price, and therefore a 13% gross margin, can you blame silver companies for not wanting to expand capacity? The deflationary environment that we have had for the past 40 years has led to lower prices for all mining outputs and therefore mining companies have logically chosen to not invest heavily in capex to increase or even sustain capacity.



If metals demand advances, and therefore prices advance, this trend will reverse with a vengeance.

So, the situation that we have is a supply deficit, declining production, and growing demand from solar and electric vehicle applications. We also see growing demand for jewelry and investment purposes. A good indicator of this demand is the next chart which shows record silver imports into India.



When you combine these supply and demand dynamics with the technical picture shown in the chart below you realize that the price of silver is sitting right on top of a potential explosion to the upside. For those without a background in the technical analysis of price charts, the long-term pattern below is a cup and handle pattern which generally proceeds a break out to all-time price highs.

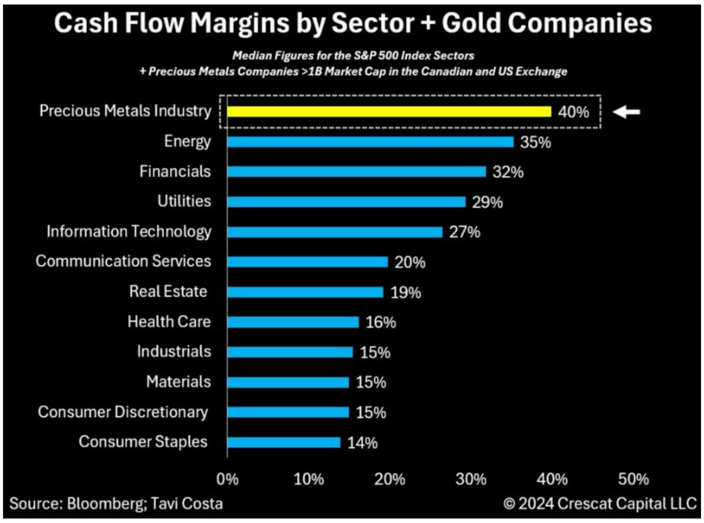
The market for silver is quite small compared to gold and other markets and when it gets moving, historically the up moves can be explosive. If silver were to advance to $50 per ounce and higher we would see the profits of many of the silver miners that we currently hold go up by multiples of their current level.

GOLD MINERS

As we mentioned earlier it is extremely unusual, if not unprecedented, to have a year where the price of gold goes up 27% and the major gold mining stock index goes up 9%. Typically, because of their operating leverage the stocks outperform the metal by 2-3x.

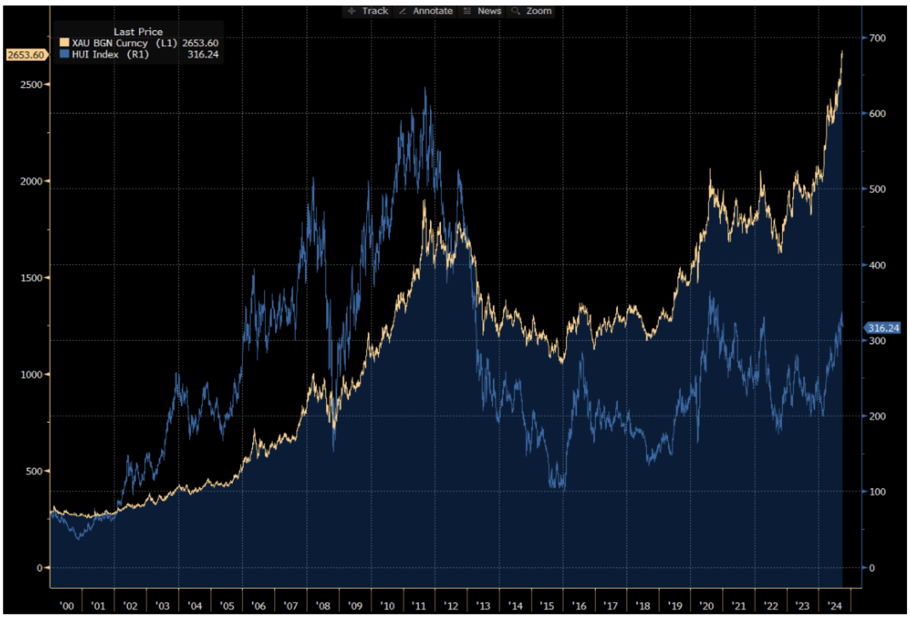
We believe this anomaly has several causes. First, as we discussed in our last letter most analysts do not believe that the break out in gold prices will last. They think this is a one-time aberration and that gold will trend back down toward the $2,100 break out point. We disagree. Second, there are still a lot of battered gold stock bulls out there. From 2011 to 2015 the category suffered through an apocalypse. It started to recover in 2016 but forward progress has been marked by a mixture of good years (2016/2019/2020) with a lot of bad years. This volatile performance when combined with poor management on the part of some gold and silver producers has caused many investors to conclude that the category is un-investable. Third, when the general stock market, the NASDAQ and the Mag 7 stocks are doing so well, and there is a lot of buzz about the coming developments in artificial intelligence, investors believe that diversification into old, tired, dirty mining businesses does not make sense.

And while these businesses are not sexy, we would counter that the cash flow margins are sexy:



We would also remind people that the next chart shows the enormous divergence between the price of gold and the performance of the gold mining stocks. These lines will converge. Either the price of gold will come down making the current miner stock prices reasonable, or the price of gold will stay high and increase, meaning the stocks will explode to the upside. We believe that the latter is what will happen.

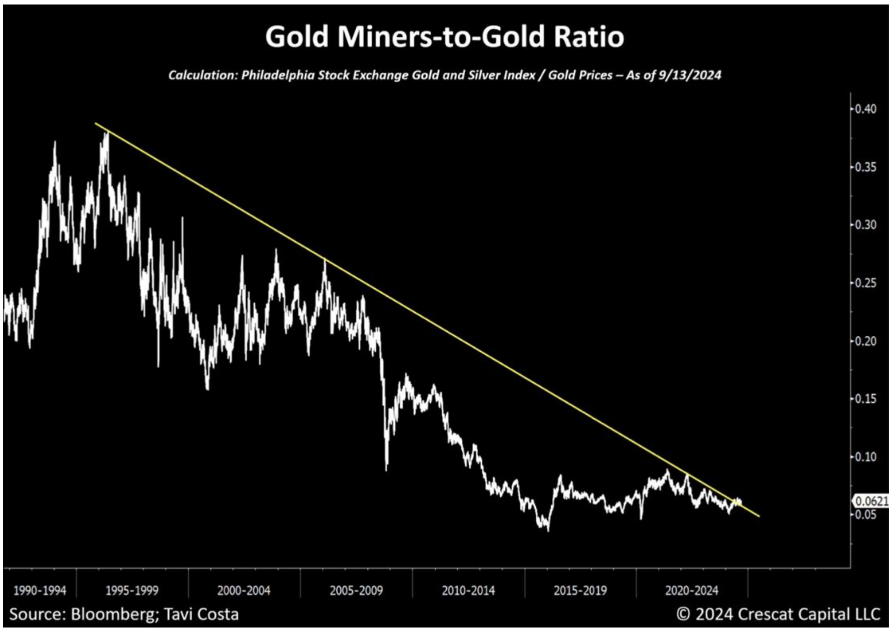
Price of Gold and HUI Gold Stock Index (2000-2024)



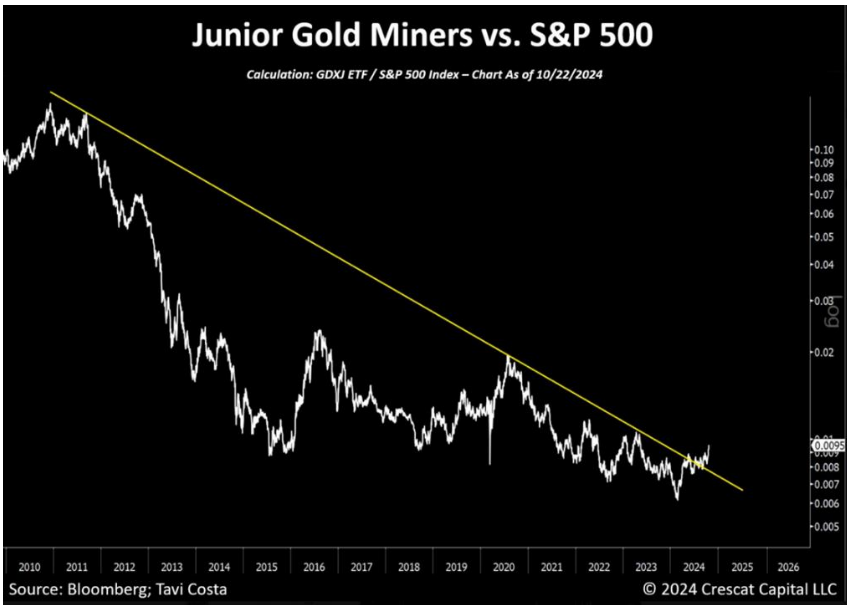
Source: Bloomberg

Top line, left side axis is the price of gold. Bottom-line, right-side axis is the price of the NYSE Gold Miner Shares Index (HUI).

As the next chart clearly shows, the performance of the miners has trended down vs. gold for a long time. However, it now appears to be bumping up against, and perhaps breaking through the downtrend line.



If a solid break-out takes place, the gold miners have a long way to go until they are in the mid-point of the valuation range. The next chart shows how the miners have underperformed the S&P 500 Index as well. However, it appears that the down trend line has also been broken. Stay tuned.



LAVRAS GOLD

In your November statement, we highlighted one of the Fund's largest positions, Lavras Gold. Lavras is listed on the Canadian Venture Exchange (LGC-VC, LGCFF). Lepard is on the Board. The Fund took a $1 million position in Lavras when it was spun out of Amarillo Gold. That initial stake is now worth $7 million representing 15% of the Fund's assets. Lavras is an exploration drill story. Generally speaking, the Fund does not hold a lot of drill stories as, while they have a lot of upside, they are also high risk. (see portfolio construction below: drill stories not including Lavras equal 10% of the Fund's assets).

Lavras' drill results have been outstanding, and we believe there is potentially a lot of upside from today's price. Lavras has reported 1 million ounces of 43-101 compliant gold. It has a market capitalization of $85 million (USD). The size and nature of the discovery lead many well-known geologists and analysts to estimate that there are likely to be 3 million ounces in this deposit and potentially there could be 10 million ounces.

Drill story acquirors over the past 5 years have paid between $100 and $250 per ounce in the ground. Many of these were done when the price of gold was closer to $2,000. So, doing some simple math, if it turns out that the 3 million ounces are there then the acquisition price would be $300 million to $750 million. Even at the low end of this range ($100 per ounce) this implies a multiple of 3.5x today's value which is meaningful for a position that is 15% of the fund. A 3.5x return for the Fund in Lavras would return half of today's value of the Fund.

Furthermore, we hope and believe that the property has the potential to be larger than 3 million ounces. Of course, this is high risk stuff and there are zero guarantees; however, we really like the management team and the way they are creating value with the drill bit.

BITCOIN

Bitcoin rallied 121% in 2024 given the primary tailwinds of:

- January 2024's creation of the Bitcoin ETFs making for an easier on-ramp for many into Bitcoin (the IBIT ETF with $50 billion of inflows was the most successful ETF launch of all time).
- The growth in global money supply in 2024 as many central banks began to stimulate again.
- Trump's victory and his promise to provide regulatory / legal clarity for Bitcoin and crypto as well as possibly making Bitcoin a strategic reserve asset.

PORTFOLIO CONSTRUCTION

We have constructed the portfolio to achieve what we believe is the correct balance of risk and reward. As you can see below, we have heavily weighted silver miners because we believe that silver is about to break out of its price channel the way that gold did. Within the miners category, we have focused on the growing producers and the well run developers. The drill stories are a smaller position, although Lavras Gold, described above has grown from a small weighting to a large weighting. Our Bitcoin exposure has grown organically, and we have benefited from holding Microstrategy (MSTR) which we believe is very attractive given its future as one of the leading Bitcoin financial services companies, its upside to higher

Bitcoin prices and its ability to grow its Bitcoin/share through financial engineering. Michael Saylor has perfected the art of selling debt in a depreciating currency (dollars) to purchase the appreciating currency -- Bitcoin. His strategy echoes the one pursued by Hugo Stinnes in 1920's Germany who issued debt to purchase real assets. Making him one of Europe's richest men and garnering him the label of "The Inflation King".

Below is a snapshot of our current portfolio positioning:

- The EMA GARP Fund's portfolio has > 150+ companies
  - Diversification critical in this volatile space
- Broad categories of investments include:

Gold Miners	55%
Silver Miners	23%
Bitcoin Related (Public)	15%
Bitcoin VC (Private)	7%
Total Investments	100%

- Our Portfolio can further be stratified as:

Producers / Majors	33%	Have at least one operating mine, produce gold/silver and have cash flow. Typically a higher % of AUM early in cycle
Developers	18%	Have proven 43-101 compliant reserves. Working to build a profitable mine.
Lavras Gold	15%	Brazil drill story. Lepard on BoD. Has 43-101 and drilling to grow the resource.
Drill Stories	12%	Have land & are drilling to define a 43-101 compliant reserve. VC like torque to a portfolio that ETFs don't have.
Bitcoin & Public and Private Investments	22%	Bitcoin, Microstrategy, Riot Platforms, VC Investments
Total Investments	100%	

CONCLUSION

Trump's victory has delayed the fiscal melt down scenario and launched another leg up in the general stock market. We expected a year where we would be up over 30%, yet November and December were a big disappointment. However, keep in mind that gold, the metal, had an outstanding year and we believe the fiscal day of reckoning, which will lead to a Big Print, has been delayed, not cancelled. The fact that gold bullion rallied while the gold stocks suffered is HIGHLY UNUSUAL and not likely to last. Either the stocks are right and gold will fall in price, or gold is right and the stocks will catch up to the metal.

Remember the historical rule of thumb is that gold mining stocks multiply the return on gold by 3x. Because they represent streams of future gold, historically when gold goes up 10% the stocks go up 30%. If that rule had held this year we would have been up 80%! (26.7% x 3). Seasoned precious metals investor Rick Rule says he has never seen such a depressed market for gold stocks, and we have to agree. He views it as an opportunity, but it is difficult to see that when it is not working particularly well.

At these gold prices, the miners have the highest profit margins in history. It surely can only be a matter of time until the market notices. We need people to stop chasing the Mag 7 and the NASDAQ stocks and to focus on companies with cash flows and profits. We expect that this day will come – particularly once the miners have a few “beat and raise” quarterly calls showing their ability to grow cash flows. But like you, we are enormously frustrated.

We thank you all for your patience and understanding. Although it has been a trying three-years we believe that this story will end well. We are glad you are with us.

Sincerely,

Larry and David

PS: Ray Dalio runs Bridgewater Associates one of the largest and most successful hedge funds in America. We were comforted to hear him echo our thesis in the following quote:

> "I believe there will likely be a pending [sovereign] debt money problem....I want to steer away from from debt assets like bonds and debt, and have some hard money like gold and bitcoin.....it is impossible for these [major] countries to be able to not have a debt crisis in the years ahead that will lead to a great decline of [money] value."
>
> Ray Dalio, Bridgewater, 12/10/24