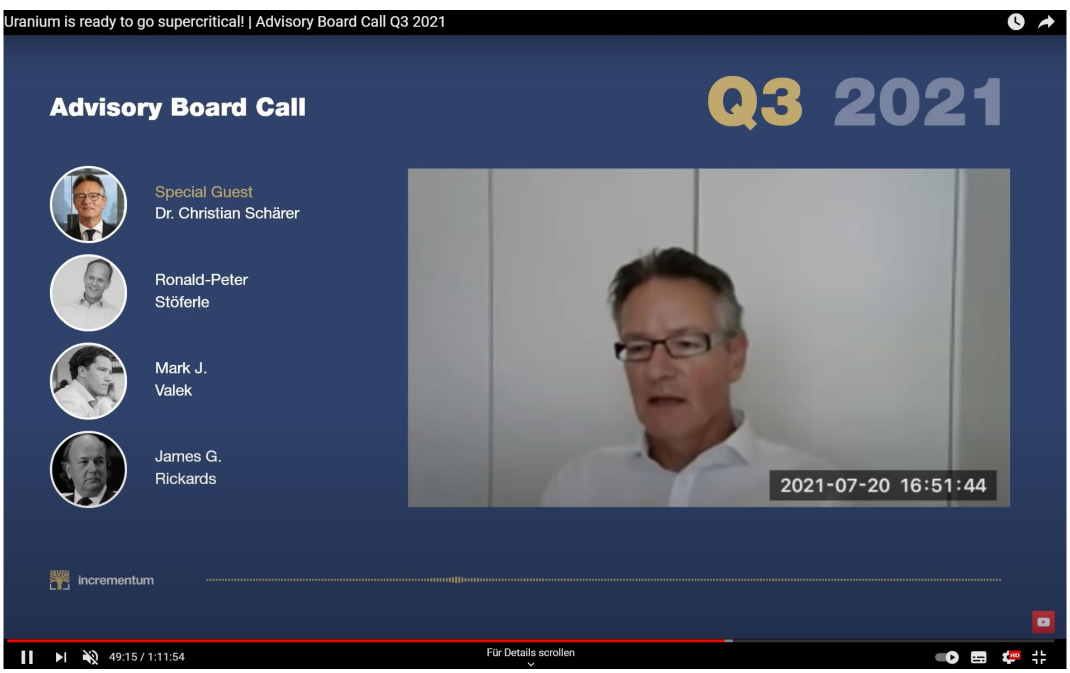
Minutes of the Advisory Board Meeting

July 20, 2021

IS URANIUM READY TO GO SUPERCRITICAL?

ENERGY AND THE OUTLOOK FOR URANIUM



CLICK TO WATCH THE VIDEO ON YOUTUBE

Highlights of the conversation:

Christian Schärer:

- Incrementum's Uranium Resources Fund has a four-pillar investment strategy: high cash allocation, investment in physical uranium through trusts, investment in uranium producers and investment in uranium exploration.
- The bottom for the uranium bull market is in. Christian thinks we have entered a long-term bull market that will drive prices higher. Projected uranium supply will not be able to meet demand.
- Growth regions for nuclear power include China, India, the Middle East and Russia.
- Russia is delivering nuclear know-how to the world. They see themselves as a one-stop shop for all electricity power needs.
- Within Europe, it is not possible to build nuclear power plants within a useful time period. In China, huge projects can go from breaking ground to putting energy into the grid in around ten years.

Jim Rickards:

- We are in a disinflationary environment and growth is decelerating. We have not seen the higher inflation that some analysts predicted. Some prices have gone up, but price rises have not been sustained or widespread. Lumber is a good example of a commodity that rose dramatically in early 2021, only to fall back down again.
- When thinking about energy, we need to acknowledge the realities of climate change. Climate change is real, but it won't be catastrophic. The energy mix of the future will include more solar and wind, but also more nuclear, hydro and fossil fuels. Global energy consumption is going to be greater than projected global energy output, including consumption of oil and gas.
- It's a mistake to analyze the economy through the lens of COVID. COVID should be taken seriously but we have had a weak economy since 2019 and other factors are more significant.
- Central banks have become impotent. Now that we have fallen to close to 0% interest rates and already undertaken massive QE, not much remains in their toolkit.
- Gold has held up well considering that we are in a disinflationary environment.

Ronald Stöferle:

- In May we published our 350-page *In Gold We Trust* 2021 report entitled "Monetary Climate Change". It covered inflation, commodities, mining and central banking.
- The global economy is clearly cooling down. In the US, the Atlanta Fed "nowcast" growth for Q2 is down to an annual rate of 7.5%, from 10.3% a month ago.
- We have seen a big movement in bonds. The volume of bonds globally trading with negative yields has risen to USD 15.2 trillion: up 6.1%.
- The S&P 500 shows us that the percentage of stocks above their 50-day moving average has fallen significantly.

Mark Valek

- Inflation is still high but commodity prices are now falling. Inflation will probably start cooling down and go lower again.
- Commodities had a great run and we are now experiencing a correction.
- Western countries have become more reluctant to embrace nuclear power, but emerging markets are doing so.

Biography of our special guest:

Dr. Christian Schärer – Partner, Incrementum

Christian is partner of Incrementum AG, responsible for special mandates. He manages the highly successful Uranium Resources Fund. Christian studied business administration at the University of Zurich and, while working, obtained a PhD at the Department of Banking and Finance (University of Zurich). His dissertation was on the subject of the investment strategy of Swiss pension funds in the property sector. He has gained comprehensive know-how in financial markets by working across various functions as investment advisor, broker, and portfolio manager. Since summer 2004, Christian has focused on various investment topics revolving around assets as an entrepreneur, advisor, and portfolio manager. He contributes his practice-oriented financial market expertise as member of the advisory board of companies. Christian is married and has one son. In his spare time he likes to cook for friends and family, and reads biographies of fascinating personalities.

Transcript of the conversation:

Ronnie:
Ladies and gentlemen, it's my great pleasure to have you here for the Q3 advisory board discussion featuring the one and only Jim Rickards. Jim, thanks for taking the time again to speak to us.

Jim:
Glad to be here.

Ronnie:
We also have a special guest, Christian Schärer, who is a partner at Incrementum, and a real expert on the topic of energy, especially uranium. Hi Christian, thanks for taking the time to speak to us!

Christian:
Hi Ronnie, the pleasure is all on my side!

Ronnie:
So Mark, you are currently with your parents in Austria. Jim, where are you currently?

Jim:
I'm coming to you from the oldest seashore resort in the United States: Cape May in New Jersey. It was founded in 1626. I'm staying in a hotel that was built in 1813. So we're definitely “back to the future”.

Ronnie:
But by European standards, that's still pretty young!

Jim:
Well, yeah, depending on the country. If Switzerland, I agree with you! We will take 400 years. That's pretty good by U.S standards.

Ronnie:
And Christian, who is currently on vacation. Sorry for bothering you. But thanks for taking the time to speak to us. You're in Ticino, the Italian part of Switzerland.

Christian:
Yes, I am sitting approximately 20 kilometers from the border with Italy.

Ronnie:
That's where all the gold refineries are, is it not?

Christian:
Yeah, but they are further south from here.

Ronnie:
Christian, let me briefly introduce you. Christian is an equity partner at Incrementum and he is responsible for special mandates. Most importantly, **he manages our Uranium Resources Fund, one of the very few funds worldwide that invests in uranium energy.**

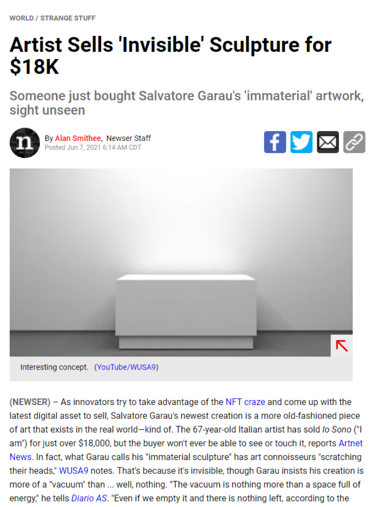
Christian studied Business Administration at the University of Zurich, and while working obtained a **PhD at the Department of Banking and Finance at the University of Zurich.** His dissertation was on the investment strategy of Swiss pension funds in the property sector. He has gained comprehensive know-how in financial markets by working across various functions as an investment advisor, broker and portfolio manager. He contributes his practice-oriented financial markets expertise as a member of the advisory board of several companies. He is married and has a son. In his spare time, he likes to cook for friends and family – although you haven't cooked for us recently, Christian! – let's hope he gets a chance to do so soon.

Thanks again for joining us. I think this is going to be a very interesting discussion.

I would like to start with some housekeeping. We released our new *In Gold We Trust* report at the end of May. It is quite an extensive publication: 350 pages about the topics of inflation versus deflation, commodities, the mining space, central bank action and so on. You can download it for free on our webpage as always. We are also publishing the *In Gold We Trust* nuggets. They are dedicated special chapters of the report – the *In Gold We Trust* classics – and we will publish our *In Gold We Trust* chartbook very soon. Our friend Peter Young has started a number of Twitter threads about special topics of the report. I think they are highly interesting!

I would like to start the discussion with a macro overview. **We can see that the economy is clearly cooling down. We recently saw the Atlanta Fed "Nowcast" growth for Q2 is down to an annual rate of 7.5%— it was at 10.3% a month ago**. The New York Fed model for Q3 is down to 3.2%, it was at roughly 4.5% a couple of weeks ago. We have also seen a big move in bonds, so I think Dave Rosenberg is really happy now! **The volume of bonds globally trading with negative yields has risen to 15.2 trillion, which is up 6.1%.**

Our friend Kevin Muir just said that "the bubble in stupid speculation is over". There are plenty of examples of this such as an Italian artist who sold an invisible piece of art for 15,000 US dollars.



WORLD / STRANGE STUFF

Artist Sells 'Invisible' Sculpture for $18K

Someone just bought Salvatore Garau's 'immaterial' artwork, sight unseen

By Alan Smithee, Newser Staff
Posted Jun 7, 2021 6:14 AM CDT

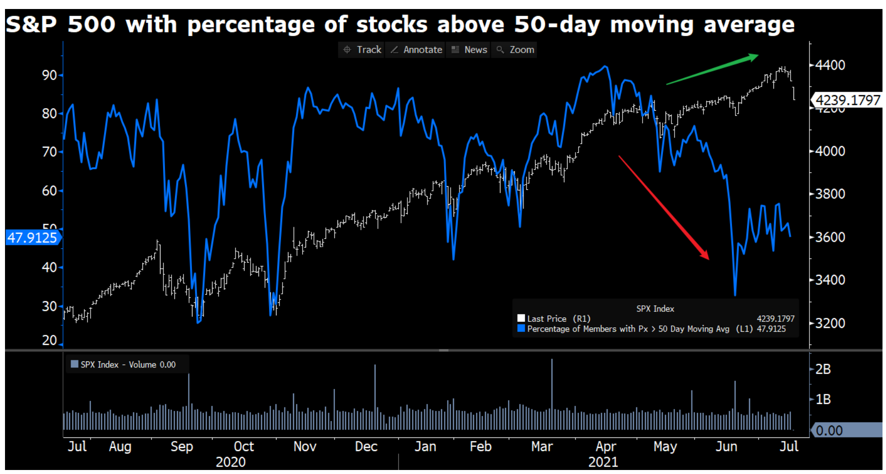
Interesting concept. (YouTube/WUSA9)

(NEWSER) – As innovators try to take advantage of the NFT craze and come up with the latest digital asset to sell, Salvatore Garau's newest creation is a more old-fashioned piece of art that exists in the real world—kind of. The 67-year-old Italian artist has sold *Io Sono* ("I am") for just over $18,000, but the buyer won't ever be able to see or touch it, reports Artnet News. In fact, what Garau calls his "immaterial sculpture" has art connoisseurs "scratching their heads," WUSA9 notes. That's because it's invisible, though Garau insists his creation is more of a "vacuum" than ... well, nothing. "The vacuum is nothing more than a space full of energy," he tells *Diario AS*. "Even if we empty it and there is nothing left, according to the Heisenberg uncertainty principle, that nothing has a weight."

But we have also seen that the Bloomberg mean stock index has depreciated significantly.

Source: Kevin Muir, Bloomberg

We're seeing narrowing breadth in the equity markets. If we have a look at the **S&P 500 it shows us that the percentage of stocks above their 50-day moving average has fallen significantly.**



Source: Kevin Muir, Bloomberg

So the market breadth is very narrow. We also see some confirmation from the gold-silver ratio, which has popped out very hard recently, taking out the 200-day moving average.

We also saw big moves in the commodities space. It was to some degree a crowded trade. I think the “commodities supercycle” was quoted very often.

But now, I think the big question really is, what's the main reason for these recent moves? Is it the Fed’s rather hawkish shift that they initiated recently? Or is it the COVID variant explosion?

A question that I would like to ask Jim is: if we see that the onset of the Delta variant increases geometrically, what do you think the response from monetary and fiscal authorities will be? I tweeted out this morning, that it feels like we’re in the movie *Home Alone* with Macaulay Culkin. The markets, it seems, are waiting or have been left alone for the moment, and are waiting for some sort of a shift from the Federal Reserve and perhaps even more fiscal stimulus. But I don't think that we will see it very quickly, because if they did I think the Fed – but also, politicians – would lose face. **So what tools remain in the box and how do you see the current risk of a move, Jim?**

Jim:
Everything you said is correct. If you go back and play the transcript from our last call, I predicted every one of those things. Four months ago, when there was inflation, inflation, inflation, if you recall, I was the one saying *disinflation*, bordering on deflation. I was pretty much getting laughed at. But I'm used to that! And now it's all coming to pass.

You said that the Atlanta Fed GDP nowcast has dropped from roughly 10% to 7%. You're right. **If you go back before your 10% benchmark, it was 13%. They went 13%,10% then 7%. So that's an enormous drop.** A lot of people don't understand how the Atlanta Fed calculates its forecast and that it's very different from any other forecasts. Most people have a model and it's a set model, and they project forward three months, six months, whatever it might be, and then they update it. The Atlanta Fed GDP nowcast, however, uses a very different methodology. They say “We don't know what the rest of the data is going to be. But instead of guessing what the data is going to be, we're going to take the data we've got and tell you what GDP would be as of now based on the available data, recognizing that we don't have all the data.” No model is perfect but it's a different style of forecasting, than guessing it with things they don't know.

But what that means is that growth is de-accelerating. You can look at the second quarter, and we'll have the first estimate of the second quarter GDP next week, but you can see that there's a big difference between April, May and June— and that's the point. In April it probably was on track to produce annualized growth of 13%. Now it isn't. **So that means, first of all, that there's been a de-acceleration, and that current growth is maybe even lower than 7%. So that's a very big deal**. 7% is high compared to the average annualized growth of 2.2% we had from 2009 to 2019. And by the way there wasn't much difference between Trump and Obama. Trump kept saying we had the greatest economy… well, nominally, that's pretty much always true, but there wasn't a big difference in the growth rates there.

So after being down 3.6% for the full year – that's not an annualized quarter, that's the number for 2020: **the greatest contraction of the US economy since 1946** – with that, as your baseline, you'd expect much stronger growth this year, and we're not getting it. I think it has almost nothing to do with COVID. I know, if you're writing headlines, it's COVID COVID COVID. COVID is serious, I wrote a book on it. It's a deadly disease and it should be taken seriously. But the idea of blaming the economic performance on COVID and the 2020 lockdown – which was a huge policy blunder…

You can look at Sydney— Sydney is locked down to the point where a couple of people got in a car and left town and they're now in jail today for violating lockdown. We know that masks don't work but politicians keep saying "Wear a mask, wear a mask!" You know those beanies with a propeller on the top? Well, Fauci may as well say "everyone put a beanie with a propeller on your head". Masks are about as effective!

It's a mistake, in my view, to analyze the economy through the lens of COVID. COVID is a big deal – I'm not minimizing it at all – **I'm saying that we have a weak global economy, it was kind of weak toward the end of 2019. The U.S has not yet recovered to the 2019 level of output.** We'll get there, but the fact that we're in the middle of 2021 and annualized output is not at the level of December 2019 is shocking.

China is slowing down. Japan's has got a new coronavirus wave, the United States is in a new wave, along with Europe as well as Australia. So we're going back to all these lockdown policies. **Lockdowns don't work for the disease. They don't stop the spread of the virus, but they do destroy economies.** So you have got a weak economy anyway, China is slowing down, there are demographic factors that are not much discussed but they're enormous and are going to get worse.

You asked about Fed policy or central bank policy in general. **I can tell you what they're going to do. But I can also tell you that it doesn't matter. The age of central banks is over. They're impotent.** The only central banker who actually knows what she's doing is Elvira Nabiullina at the Central Bank of Russia. She's buying gold, basically. Gold is up to 20% in the Russian reserve positions. I used to like Mario Draghi because he was actually smart enough and self-aware enough to know that they couldn't do anything but he was a great actor. **Whereas our central bank chairmen are self-deluded when they think that they have some influence on policy.**

The answer to the question: what's in the toolkit? The answer is nothing, but it doesn't matter. This toolkit doesn't work. So rates are zero, the US is not going to go negative, but some others have. How many more bonds can you buy? They're actually damaging the global financial system by buying bonds. **Because Quantitative Easing (QE) doesn't work, we know that.**

Rates drop when they stop the QE, when they start the QE, rates go up. Well, that seems counterintuitive. It's like, if the Fed is buying bonds, shouldn't that drive the rates down? Well, the answer is, the minute they start buying bonds, everyone says, "we must be in trouble", and then when they stop they say, "okay, well, as long as you were buying bonds, there was a little bit of hope", but when central banks stop buying bonds now we're going to go straight down, because they have pulled out that one support.

But what does matter? What metric tells me more than any other metric? The answer is the yield to maturity on a 10-year Treasury note. **On March 31st, it was 1.745%. Yesterday, it traded briefly at 1.18%. That's huge**. Going from 1.7 to 1.1, is not the same as going from 5.7 to 5.1, the spread is the same, but the dollar value in terms of capital gains is much greater, it's amplified at lower absolute levels of rates. So this has produced huge capital gains for investors. **That's a sign when you see yield to maturity go from 1.75 to 1.2 in three months, that is a certain sign of strong disinflation, slowing economic growth.** You can look at certain segments of the yield curve and see that they're inverted. **That's a signal of recession, these are very bad economic signals. But the central banks don't matter and that's my point.**

Ronnie:
Thanks, Jim.

Mark:
If I may hop in here. Inflation is still high but with commodity prices now falling, it probably will start cooling down and go lower again.

If we have a look at the commodity sector. Commodities had a great run, and now seems to be correcting quite a bit. Since we also want to talk a little bit today about energy, energy was quite interesting. If we look at oil futures for example, **oil futures were in backwardation quite extensively and I think that was a warning signal already**.

Jim, how would you view the energy sector because you do have some experience and also some interesting investments in the energy sector? What's your outlook when it comes to energy prices? And how do you combine this with your other disinflationary outlook generally?

Jim:
If you want to look at one chart that tells the whole story, look at a chart on lumber futures. In February and March it goes vertical and I would be in debates like this inflation, deflation and people would say "look at lumber". I did look at lumber, it fell off a cliff, did it retrace the game? No, it's lower now than it was in February. **So lumber went straight up and straight down**.

Lumber prices (LBS index) in US dollars over the past year

Okay, that's a blip. **But my point is, it's not inflation, a 60-day blip is not inflation. Inflation is persistent, pervasive. It's across the board.** Lumber went up, gasoline prices went up, but electronics went down, clothing went down, tuition went down. People are very sensitive to the things going up. Well, I am too, I buy gasoline, I buy groceries, but they tend to take for granted the things that are going down. Inflation is a basket and that is how you have to think about it.

Specifically on energy. I have done quite a bit of research on this. There's a group, and I'll include myself, who make fun of 'The Science', but it's with a capital "T" and a capital "S", in quotation marks "The Science" because science has been abused and manipulated. **Scientists themselves have sold out scientific principles in the same way that a lot of journalists have sold out journalistic ethics.** They're working for institutes and research grants from either the climate alarmists – which are different from climate scientists – or people with a hidden agenda. But if you look at real science – with a small "t" and a small "s" – it would say the following. Is there some evidence that global temperatures are rising? Some but not really conclusive. It's rising but very slowly. **A real expert would say that there's nothing cataclysmic coming. There's nothing existential coming**. Maybe a slight warming, but that could reverse. There are certain things in the atmosphere like aerosols that actually tend to cool the planet. There are other things that have a more powerful warming influence than CO2, and those would include solar cycles, volcanoes, and most importantly, ocean currents. Also, we have just started a new *La Niña*, which could get some nasty hurricanes out of.

If you look at people like my friend Gillian Tett at the Financial Times she was screaming the other day about sea levels rising. Well, I looked at the data**. Sea levels are rising, about seven inches per 100 years. So you'd be lucky to get your feet wet in the 22nd century with what's going on**. The idea that cities are going to be inundated, islands are going to be overrun, the New York subway system is going to be flooded. **It's all nonsense. It's all lies, it's all propaganda, as I say, seven inches per 100 years.** That's if it continues, which it may not.

And here's the real point. The data I just cited has been true for the past 100 years. There's a sea level gauge at the battery in New York and it's been going strong since the early 19th century. So they have that data. It's risen seven inches per 100 years. And that's been true for 100 years, long before automobile emissions took off, long before a lot of other sources took off. The sun comes and hits the earth, and then the earth radiates the heat, CO2 and methane do tend to impede that shedding of the heat. But how much? How much compared to other sources? How much is caused by humans versus other sources? How much methane release is natural? These are all important questions. They deserve science. They deserve research, but they don't deserve hysteria.

So that's sort of my baseline: watch it, research it and be honest about it. But all this hysteria and drum-beating and moralizing and you know, again, Gillian Tett, is kind of the leader— like a majorette out there with a baton. It's all nonsense and not backed up by science. I read the New York Times the way that people used to read *Pravda* during the Cold War. And people say, "Jim, why do you read *Pravda*? It's all lies!" And I said, "Well, yeah, I know. But it's good to know what your enemies are lying about, because it tells you what they're really thinking."

You can use inferential methods. So the New York Times is pretty much all lies, but I like to know what they're thinking. So with that said, it's just the case. It's just the case that even if you switch to wind turbines and solar – and I know a lot about both, but more about solar – hydroelectric has been around for a long time. I mean, we built a Boulder Dam… and the Hoover Dam… and the Grand Coulee Dam and all the projects… Hydro Quebec, a lot of these projects were built in the 1930s and 1940s and many more recently, so there's nothing new there. You've also got the Three Gorges Dam in China, and that does produce a lot of electricity with no CO2 emissions. So that's a good thing. And, you know, you got environmental concerns, you know, creating reservoirs and lakes and ruining canyons...

Just one more footnote: electric vehicles, China's the biggest buyer and consumer of electric vehicles, 55%, of China's electrical output comes from coal-fired plants, and they're not particularly clean. So when you take your electric car – you're very virtuous with an electric car – you plug it in, you're burning more coal, and you're adding more CO2 emissions then an internal combustion engine. So pat yourself on the back, but you're actually contributing to the problem. These are the things people don't think about. And, you know, Gillian Tett won't tell you.

So with that said, **global energy consumption is going to be greater than projected global energy output, including oil and gas.** In other words, wind turbines have a future, solar has a

future, uranium… certainly we'll talk about that. The idea that this is binary, that you either have to go completely emissions free, or we're going to ruin the planet with oil and gas… first of all, both statements are not feasible. They're both not true. And it's a false dichotomy.
The energy future is going to be the following: wind turbines will grow, solar will grow, hydroelectric will grow, but none of them will grow fast enough to satisfy the energy consumption requirements of the planet, particularly when you're looking at developing economies in Africa, and parts of South Asia and India.

Therefore, your oil and gas are not going away. It's not "either or", **you'll have both and you'll need both**, because you're not going to be able to power the planet. So when I see a good company like Exxon, ExxonMobil is the most sophisticated advanced oil and natural gas production distribution company in the world. Why should they be involved with windmills? What's the point of that? But Larry Fink thinks it's a good crusade. My point is, when you see those companies beaten down there, if they're well managed companies, those are very good buys, because it's not going away.

Ronnie:
Thanks, Jim. I think that's a very interesting point that you're making on *La Niña*. We followed it for quite a while because now we've got two *La Niña* years in a row, which means, probably a very cold winter again - good skiing conditions! That's the positive. **There's also a very high correlation between commodity prices and *La Niña* years.** So I think that's a very interesting point that you're making.

I would like to hear a little from Christian, because you mentioned a very interesting thing Jim, which is this change of zeitgeist. We saw this revolution at Chevron. Chevron shareholders voted against management, and they directed the company to cut greenhouse gas emissions. We saw Exxon shareholders defy the executives and vote for three independent directors with the goal of reducing its carbon footprint, we also saw something similar with Royal Dutch Shell. Now the big question for me is "Isn't this some sort of a Pyrrhic victory?" Because, as you rightly say, demand keeps rising.

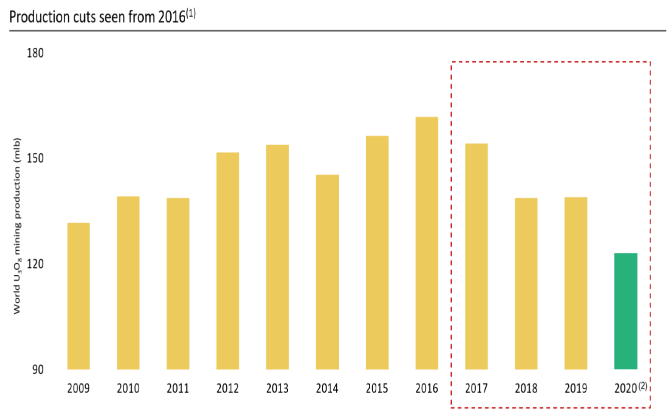
Perhaps it would be important for Christian now to speak about uranium, which is a highly emotional topic. Incrementum is a boutique fund manager, and when we say we've got a very specialized product that invests in uranium stocks everybody asks "How can you do that? Are you supporting nuclear bombs? And are you financing regimes in Iran and in North Korea?" There's lots of misinformation about the uranium space. Christian, could you give us a brief overview about your investment hypothesis and the supply-demand first?

Christian:
Thanks for that Ronnie. **We, as investors, are entering the uranium space driven by the idea that we are looking for the actual demand-supply situation. That is the main driver behind our activity.** We are not supporters of nuclear energy per se, it is the market condition that makes it attractive for us to do investments in the uranium space. And what we see here is an increasingly growing supply gap. After a ten-year bear market there is definitely supply side that is under pressure. We have seen production cuts over the last five years.

Uranium - Producers have made signifcant production cuts

The supply side of the uranium market has been reacting since 2016.

Cameco closes Rabbit Lake (2016) and suspends McArthur River (2018). Kazatomprom announces a 20% production cut during 3 years (2017). Paladin suspends "Langer Heinrich" (2018). Due to COVID-19, Cameco suspends "Cigar Lake"; Kazatomprom restricts production for the same reason (2020).



source: UxC – «Uranium Market Outlook Q4 2020»

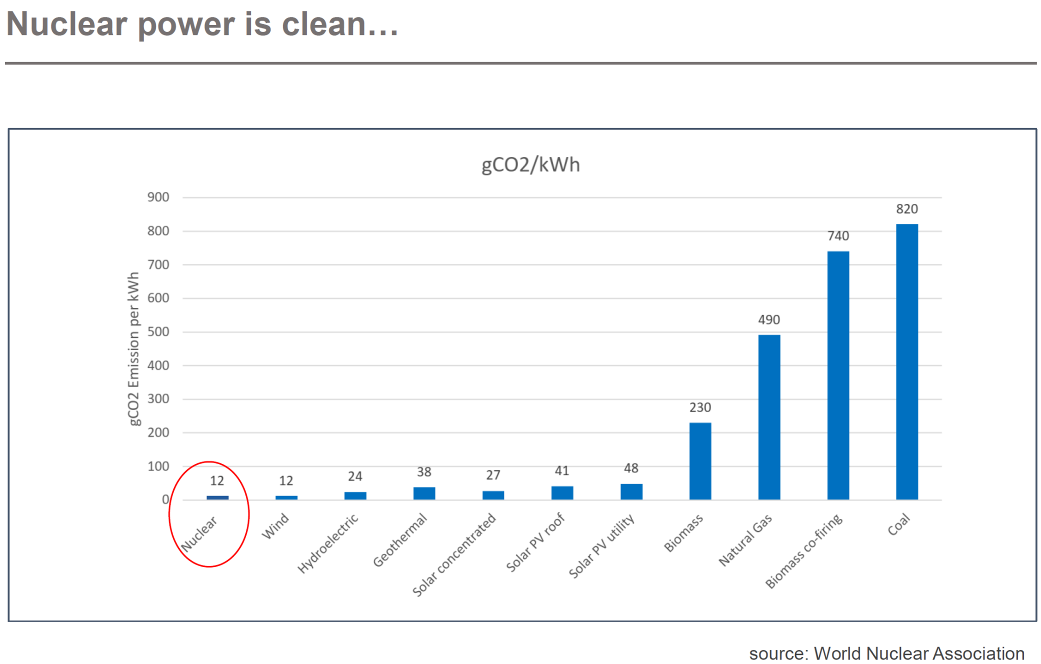
Source: Uranium Resources Fund, Dr. Christian Schärer

We have ended up in a situation where last year there was demand for approximately 180 million pounds of uranium. And on the other hand, we had production from the mines side of approximately 125 million pounds. So, that is a huge gap between demand and supply, and this is covered by the decrease in existing inventories from secondary supply. But our investment case means that over the coming five years, this supply gap will be closed by increasing prices. And that is the main point of why we are active in the uranium space.

Ronnie:
Now Christian, I think the whole Environmental, Social and Governance (ESG) topic nowadays is something that's really important. And to me, sometimes it seems a bit like virtue signaling because everybody is so concerned and so cautious when it comes to sustainability and so on. I think we chose the slightly provocative title “Monetary Climate Change” for our 2021 report, because I think it's also important to talk about the consequences of our monetary system, the consequences of the debt situation for us, and especially for the next generation, and nobody really talks about *this* “climate change”. However, it seems that when it comes to ESG, and this whole green movement, most people only consider, as Jim rightly said before, solar energy, hydro energy, and wind energy. **But I think it was pretty interesting that Greta Thunberg grudgingly had to admit that nuclear power might be the only way to go for some sort of a transition phase**. So how does nuclear energy fit into the whole ESG development from your point of view?

Christian:
I think the main point to understand is that it's important to stabilize a grid. It's a difficult thing. When we are talking about ESG accepted energy sources, we are talking, as Jim said already, about wind turbines, solar panels and water as a source of electricity production. **But that is quite a volatile business, because solar power only works when the sun is shining, wind turbines depend on the blowing wind. So that means that on a dark night, without wind, it's difficult to produce any electricity from these sources**. And as an additional source, you need a baseload to stabilize the grid. In China, for example, still today the main source of this baseload is coal power. When you want to switch that off, to reduce your CO2 emissions, you have to look for a substitute, and then that's the point where nuclear power plants come into the

game. It's a CO2-free source of baseload, and I think that makes nuclear power plants attractive in the future energy mix and that is probably the main argument even in the German speaking part of Europe about extending the lifecycle of existing nuclear power plants.



Source: Uranium Resources Fund, Dr. Christian Schärer

Ronnie:
Thanks, Christian.

Jim, I just read your brilliant piece, *Climate Change, Climate Alarm and Energy* (available to Jim's newsletter subscribers). I know that you had installed a photovoltaic (PV) system, but I didn't know that it was that big! On your farm you've got a PV system consisting of solar modules, solar panels and steel pylons. But you've got it, not primarily to save on your electric bill, but to be independent in the event of a collapse of critical infrastructure. I would like to learn a bit more about the system in the US, because over here in Europe, it is heavily subsidized, otherwise, most people would never think of installing a PV system. I think nobody really expects the collapse of the energy infrastructure. So how does it work in the US? How much are you producing? How big is the whole system?

Jim:
Sure. **The system I built is the largest private system in New England that's not connected to the grid.** So there are larger systems, but they're owned by towns or industries. Occasionally you'll drive by acres of panels, but it was put there by a town or a county or a government business. So this is private. And it's not connected to the grid. And that was important to me. We spoke to loads of companies and only three would do an off-grid system. They are literally people going door to door, and they'll sell you on this and put solar panels on your roof, they connect you right to the grid, so kind of as Christian was saying, you're not powering your house, you're feeding the grid, and then they're giving electricity back to you. And it's all metered. So you have a contribution of x and you take y and x minus y, that's a negative number, they'll send you a cheque and if it's a positive number, you pay them but it's less than you would otherwise pay. People don't realize that these systems come with an obligation so that if you sell your house you've got to convince the buyer to take on the obligations of the solar system, or else pay it off early. **Do they actually produce enough electricity to power that particular house? Usually**

not, they produce some but it's not necessarily as much as you're using. So do they contribute to the grid? Yeah, but it's very intermittent for the reasons Christian said.

We wanted something that would power the house. We produce about seven kilowatt hours. I'm in New England so you know what the weather is like. I get snow and cloudy days, and you don't get any electricity on those days. And by the way, this is a thing people don't quite understand. **The house is not powered by solar. Solar charges the batteries and then the house runs on the battery power**. So what you have to monitor is the batteries, how charged up are they? What do you end up doing? You adapt your lifestyle a little bit, so let's say the sun is shining, it's really use it or lose it. I can't use enough electricity on a sunny day. So that's when it's okay to run the washing machine, the dryer, the dishwasher, the hairdryer, whatever you want to because you are not going to deplete the batteries because you get more electricity than you can use. But don't run the washing machine at night because you are draining the batteries. Now that's not a big deal. So you do laundry at 10 in the morning instead of 10 at night, okay? But you find you're making those behavioral adaptations, which are not difficult, but that's how you learn to live with the system. **I have a much smaller carbon footprint than Greta Thunberg.** I have 75 acres of trees. Those trees are a CO_2 sink— even though there's an argument that we could even use a little *more* CO_2 in the atmosphere. My carbon footprint is negative, I'm actually taking more CO_2 out of the earth. So I'm probably better than Greta, who's flying around. Therefore, I can be objective about climate change without being defensive, because I'm doing my bit. In fact I had to clear acres of land so that the trees would not fall on my solar panels during storms.

You can't just plop a solar panel anywhere, they use a lot of land and a lot of infrastructure and need a lot of pylons and a lot of panels to run just one house. So how are you going to run cities? How are you going to run large, densely populated communities? I'm not saying you can't put some solar panels on your roof. **But, you're kidding yourself, if you think that you're going to run densely populated areas with solar power, you need oil and gas unless you use nuclear power.** Now, the problem with nuclear power, it actually works fine, and it has no CO_2 footprint (or practically none), lasts for a very long period of time but you have the disposal problem, but we have solutions to that. **Where you run into opposition is really in the political arena**. People say, "We don't like nuclear, we don't like radioactivity, the whole idea is scary to us", or they just don't like it on ideological grounds. Well, now, you're not being scientific anymore. You're not being rational anymore. You're injecting an ideological agenda.

So to Christian's point, why don't we have more of it? Because it's a really good solution. There are logistical limits on hydroelectric, hydroelectric is very clean. The other sources I mentioned are clean but they're really constrained because they're intermittent and you have to get the base load up or the whole system will shut down.

But why not have more nuclear plants? France is very good at it. Russia is very good at it. The United States used to be. You'd want the French or the Russians to build your nuclear reactors. **The point is that the limits on it are not logistical and they're not scientific, they are political and ideological** which unfortunately taints the entire… climate change, energy usage, all the things we are talking about are infected with ideological constraints that stand in the way of good science.

Mark:
Great, thanks. I think this is a little bit of our Western worldview. Western countries are more reluctant to embrace nuclear power. But as we already touched on, we see emerging market countries embrace this technology. Christian, can you give us a little bit of an overview of what is basically in the pipeline when it comes to future plans?

Christian:
Thanks for that Mark.

The main driver behind the growth is definitely Asia, meaning, China and India and even Japan. All are thinking about new construction of nuclear power plants. **Actually there are 18 power plants currently under construction in China.** The reason for that is not primarily to substitute for coal-fired power plants but to provide additional capacity to cover the needs of the grid. These economies are still growing on high levels of 6% plus. That means, because electricity consumption is strongly correlated to GDP growth, strong growth on the electricity consumption side and nuclear power plants are a good way to meet this need because they are a smart way to reduce all the pollution issues we have – especially in big cities and industrial areas. The second point is probably to solve the issue of dependence, because it's a smart way to diversify your sources of energy, and makes you less dependent on imports on the fossil fuel side. The third point is that the timeline in these countries is totally different from what we see in the US or in Europe. **To build a nuclear power plant from scratch is still not possible in Europe within a useful timeframe, but in China, you're still able to realize such a huge project within, say, 10 years from breaking ground through to putting electricity on the grid.**

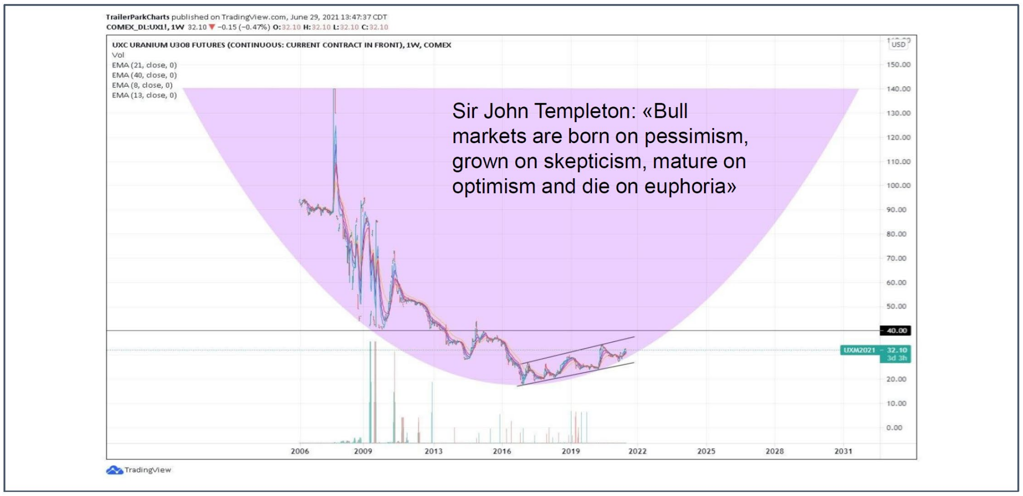
Mark:
So that's 18 from China alone, which are the other fastest growing countries?

Christian:
India is an important driver for growth, but we also have Middle East power plants under construction, and probably an interesting driver in the whole industry is Russia. **Russia is delivering nuclear know-how to the world.** They are constructing nuclear power plants all over the world, for example in Turkey and the Middle East. They see themselves as a one-stop shop for all your electricity power needs, they deliver you everything, they build the power plant, they will deliver you the fuel you need and help you to clean it up at the end of the lifecycle. So Russia offers everything as a full package. This means that Russia could end up being a net importer of uranium by the end of the decade.

Ronnie:
Christian, I would like to ask you, because we've seen quite a lot of excitement over the last couple of months about uranium. We see that, for example, our friends at Sprott are currently launching a physical uranium trust, and it seems that the general market sentiment regarding uranium has become much more positive. But what I would like to ask is, where are we in the cycle at the moment? Is it still at an early stage? Or do you think we're already in a little bit of a mature phase of this bull market?

Christian:
I would say the market bottom is in. So time for bottom fishing is probably over. I think we have entered a long-term bull market that will drive prices higher. You can have a look at long-term charts and then you will see that the last high in the uranium market was around 130 US dollars per pound.

Uranium - a long way to euphoria!

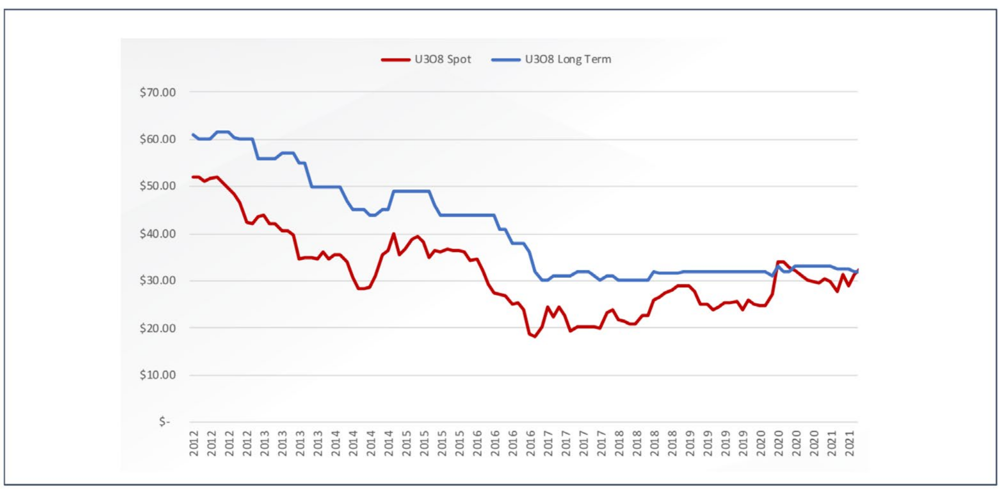


source: UxC, TradingView, uranium insider

Source: Uranium Resources Fund, Dr. Christian Schärer

We are now trading a little bit off 32 US dollars so there's still quite a long way to go.

Uranium - bottoming out completed!



source: Sightline U308

Source: Uranium Resources Fund, Dr. Christian Schärer

But what you have to bear in mind is the gap between the underlying commodity and the performance of certain uranium stocks. We have seen over the last month some uranium stocks are valued quite aggressively now. You make a really good point that Sprott have been game-changers in the uranium market. I think what really changed is these guys made the uranium space investable for institutional investors. We have seen interesting things with physical uranium trusts. That is probably a good place to invest for institutional investors, and also uranium ETFs established in the market, especially in North America. This also gives institutional investors an opportunity to invest in the market.

Ronnie:
Could you tell us a little bit more about your current allocation? How much of the senior producers do you have? Do you invest in uranium explorers at all? Because I can imagine they're even more volatile and even more illiquid than the ones in the junior gold mining space.

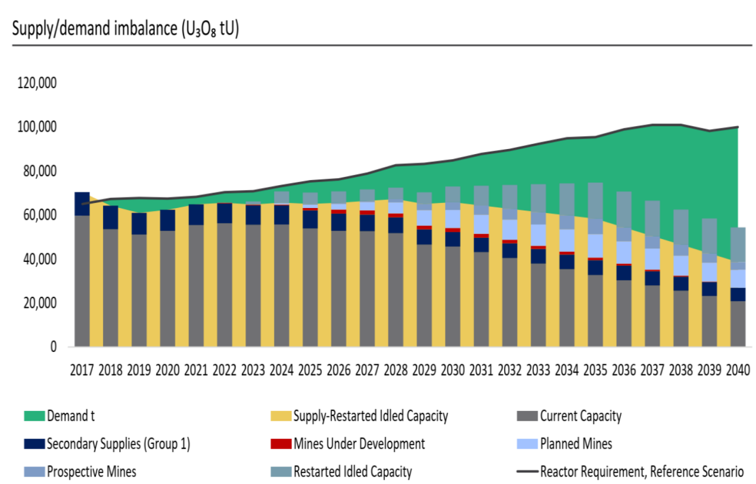
Christian:
It's a highly volatile market, the uranium space, this comparison to the junior goldmining market is a good one. **Our investment strategy is based on four pillars**. Firstly, we are always holding a high quota of cash just to make sure that we are able to act in a volatile market. That means a cash level of 9% or 10% is not unusual. Actually, we are currently 20% in liquidity, because we still expect that there will be a continuation in this consolidation we are seeing in the market.

The second pillar is the core of the portfolio, this is the bet on the uranium price through investments in physical trusts. **Our investment thesis is that over the coming five years the supply gap will be closed by higher uranium prices**.

Uranium - growing mine supply gap

Due to the low uranium prices, supply has recently been significantly reduced despite intact demand. For the time being, the resulting deficit will be covered from secondary sources and stocks.

However, significantly higher uranium prices are needed to close the supply gap that is emerging in the medium term. This is the only way to incentivize the provision of new production capacities.



source: The Nuclear Fuel Report – Global Scenarios for Demand and Supply Availability

Source: Uranium Resources Fund, Dr. Christian Schärer

Therefore, it makes sense to have exposure directly to the uranium space and to make a normal uranium producer profitable you need probably uranium prices of 50 or 60 dollars per pound. In the same group I will place our investment in Uranium Royalty Corp. This is the only royalty company with a focus on the uranium sector. I love royalty companies. I think this is a good concept for conservative investors to participate in a commodity sector without having execution risk on the specific mines. So normally, this group makes up between 15% and 20% of the portfolio.

The third pillar consists of producers and standby producers. “Standby producer” means a company that is able to start production or restart production within the coming 18 to 24 months. There are two heavyweights in the sector. Kazatomprom and Cameco. Both companies are prominently represented in the portfolio.

Fourthly, the rest of the portfolio is allocated to the development and exploration camp, mainly focused on developers. We are not making heavy bets on companies with the potential to produce in the next two cycles. Our main focus is this five-year time horizon. There are explorers and developers where we can see, on the macro level, developments that support higher valuations in this timeframe. This is probably another 20% of the portfolio. So we build on these four pillars: cash or liquidity, physical uranium exposure, uranium producers and then the rest allocated to the highfliers of tomorrow.

Ronnie:
Thanks, Christian, it's very interesting, and we're very proud of the fund that is doing really well. I have to admit, for us as slightly younger colleagues and fund managers there's really a lot to learn from you and your vast experience in markets.

I think we have to talk about gold at least for a bit. Q3 has had very positive seasonal tailwinds. I think in the last 20 years, Q3 was actually the most positive quarter for gold. I think the gold-silver ratio is telling us that the market is now seeing gold as some sort of a disinflation or deflation hedge, while silver is pretty much unloved at the moment.

Jim, where do you see gold now? I think we all agree that gold is more of a monetary insurance in these turbulent times. But at the moment, do you regard gold as a buy? Or are you pretty much neutral on the price of gold?

Jim:
No, I think it's a buy Ronnie. I'm actually impressed with how well gold has held up considering the headwinds, considering, if we're not in a deflationary environment, we're definitely in a strong disinflationary environment.

Interest rates are coming down, inflation is coming down, and growth is slowing down. If you look at nominal rates minus inflation this is coming down, that means real rates are going up. So those are all headwinds for gold, this is not the ideal environment for gold, and yet gold has maintained itself in this range.

Now, I guess about three weeks ago, we had that air pocket when it dropped 5% in one morning. I watched it with interest and then it crawled back. It's not all the way back up to where it was. But the fact that it crawled back up to – right now it's around $1,810 – that's fine. That's just normal volatility. But the wider range for a much longer period of time going back almost a year. **It peaked at $2,069 on August 6th 2020.** For about seven or eight months, it's been trading in a broad range of around $1,700 to $1,900. It's been pretty much in that range. And so when you have as many headwinds as I described, and you other than, you know, occasional air pockets and daily volatility, that's not unusual. It can be short covering or people getting out of a position… or momentum driven… or computer driven. Gold will continue.

And then, you know, you look around the world. Australia is shutting down again, there’s rioting in France because you can't get into a cafe unless you have a vaccination. I mean, some of this is science versus politics and ideology versus common sense. But some of it is just frustration. Maybe we're fed up after a year and a half of this. I was just reading about this. Viruses weren't really well understood until the 1930s with the invention of the electron microscope. They were hypothesized, but you couldn't actually see one until the early 1930s.

The COVID virus – the technical name is SARS-Cov-2 – is 1/5000th the width of the weave in a mask. So you put it under a microscope and see the weave the other woven fabric. The viruses is 1/5000 the size of the weave so the virus can go right through a mask. Someone said it's like shooting marbles at a building scaffold: every now and then a marble will hit the scaffold but most of them are going to get through and hit the building, so the masks don't do anything. But we have to wear them. But we're sort of powering through all that and yet gold continues to hold the sun.

Now one thing that's not well understood is that **gold does extremely well in deflationary periods**. Everyone gets the fact gold does well during inflation. Gold is a good hedge against inflation. All true and well understood, pretty intuitive. What's not intuitive is that gold does very well in deflation in two respects. One, even if the nominal price goes down, the real price could be going up in a deflationary environment because every dollar is worth more. But it can also outperform other asset classes. If your stocks are going down a lot and other assets are going down a lot in a deflationary environment, gold might outperform those assets. But at the end of the day – and this goes back to what we said at the beginning with central banks, not having a toolkit or not knowing how to use the toolkit or the toolkit doesn't work – there is one tool that does work that has always worked. When disinflation becomes persistent, or deflation breaks out, and it gets to be now 14 years, 15 years, 20 years, how long do you want to go on before you get the inflation you want, and if you don't get the inflation, what's happening to the debt to GDP levels? Well they're overwhelming, you're slowing growth. That's what Ken Rogoff and Carmen Reinhart have shown through their research is that you have got to get rid of that debt. **The only way to get rid of it in nominal terms is to default— and the US is not going to default.** So they will get rid of the debt in *real* terms through inflation.

So at the end of the day, you must have inflation. But central banks have shown us for 14 years that they don't know how to get it. **I know how to get it and I can tell you, you just raise the price of gold.** You just wake up one morning, say you know what, as of now gold is $5,000 an ounce. And if you think it's cheap, come and get it, the doors at Fort Knox are open. If you think it's expensive, we'll buy it, we're printing money, that'll get you your inflation. But the point is raising the price of gold, which Nixon did in 1971 and Franklin Delano Roosevelt did in 1933, the Bank of England did in 1931. **Raising the price of gold is a surefire way to get inflation**. So in normal inflation caused by any one of a number of macro reasons… psychological reasons increased velocity etc. Gold will just go up— this is what it does.

Mark:
Thanks for that, just to interject, I think it may be noteworthy that our inflation signal recently turned. <u>In our fund, we have been capturing this uptrend in commodities quite neatly.</u> But two weeks ago the momentum of the inflation-sensitive assets – which were following this signal – came down significantly, which also led us to reduce the inflation-sensitive assets in our fund. We actually did increase the gold allocation relative to the silver location due to similar thoughts and rationale, as Jim just mentioned.

So actually, we are also basically aligned in our views, that the market is just telling us inflation momentum is decreasing, and we'll see how far this goes. I think this is a very exciting phase in the markets actually because everybody just thought it was taken for granted that this growth will just continue and with this growth will come inflation.

Jim:
That's a reason to take a hard look at commodities. **I don't consider gold to be a commodity.** I understand that it trades like a commodity**.** It's on commodity exchanges. It's in commodity indices. I understand all that. **It's actually not a commodity because it's not good for anything except money— but it's the best form of money.** So when I think of entry points for gold buying or selling gold, I don't think of it in the commodities complex, which I would apply to oil, natural gas, lumber, cement, agricultural products, copper. I think of gold over here in the money basket – and it's really more about confidence – so if we're seeing confidence in central bank money then that's very bullish for gold as well.

Ronnie:
Absolutely. And over here in Europe, I see some lack of confidence in Madame Lagarde, who now wants to save the planet with her new green mandate it seems, but we can talk about that at a later date.

Gentlemen, it's been a great pleasure, Jim, as always, thank you very much for taking the time to speak to us.

Christian as a special guest, thank you for interrupting your vacation, say hello to the family from us.

If our readers or viewers have questions about the fund, you can find the information on our web page, we can send you a presentation or the fact sheets, you can approach Christian. All the contact details are on our webpage.

It's been a great discussion. Thank you very much. We now look forward to taking some days off and then I look forward to another advisory board discussion. So thank you very much. Stay healthy. Have a great summer and see you soon. Bye!

Appendix: Permanent Members of our Advisory Board

Heinz Blasnik

Heinz is an independent trader and market analyst for the consulting firm *Hedgefund Consultants Ltd*, as well as an author on Austrian economic theory for the independent research house *Asianomics* in Hong Kong. Heinz also publishes the blog www.acting-man.com, on which he analyses developments in the financial markets and the economy from an Austrian School perspective.

James G. Rickards

Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the *West Shore Fund*. During his career, Jim has held senior positions at *Citibank*, *Long Term Capital Management*, and *Caxton Associates*.

Dr. Frank Shostak

Frank is chief economist at *AAS Economics*. He has over 35 years of experience as a market economist and central bank analyst. He holds a PhD, MA and BA honours from South African universities. He was professor of economics at the *Witwatersrand University* in Johannesburg. He is one of the world leaders in applied Austrian School of Economics and an adjunct scholar at the *Mises Institute* in the US.

Rahim Taghizadegan

Rahim is the founder and director of the *scholarium*, an independent research institute in economical and philosophical issues in Vienna. He is bestselling author and a popular speaker internationally. Rahim studied Physics, Economics and Sociology in Vienna and Lausanne. He has worked in the fields of economics, space research and journalism. He has also taught at the *University of Liechtenstein*, the *Vienna University of Economics and Business Administration* and the *Universität Halle an der Saale*.

Ronald-Peter Stöferle, CMT

Ronni is partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied Business Administration and Finance in the USA and at the *Vienna University of Economics and Business Administration*, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the Research department of *Erste Group*, where he published his first *In Gold We Trust* report in 2007. Over the years, the *In Gold We Trust* report became one of the benchmark publications on gold, money, and inflation.

Since 2013 he has held the position as reader at *scholarium* in Vienna, and he also speaks at *Wiener Börse Akademie* (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book *Austrian School for Investors* and in 2019 *The Zero Interest Trap*. Moreover, he is a member of the board at *Tudor Gold Corp*. (TUD), a significant explorer in British Columbia's Golden Triangle and a member of the advisory board at *Affinity Metals* (AFF). Moreover, he joined as an advisor to *Matterhorn Asset Management*, a global leader in wealth preservation in the form of physical gold stored outside the banking system.

Mark J. Valek, CAIA

Mark is partner of Incrementum AG and responsible for Portfolio Management and Research.

While working full time, Mark studied Business Administration at the *Vienna University of Business Administration* and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of *Incrementum AG*, he was with *Raiffeisen Capital Management* for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of *Philoro Edelmetalle GmbH*.

Since 2013 he has held the position as reader at *scholarium* in Vienna, and he also speaks at *Wiener Börse Akademie* (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book “Austrian School for Investors”.

About Incrementum AG

Incrementum AG is an independent investment and asset management company based in Liechtenstein. Independence and self-reliance are the cornerstones of our philosophy, which is why the four managing partners own 100% of the company. Prior to setting up Incrementum, we all worked in the investment and finance industry for years in places like Hongkong, Frankfurt, Madrid, Toronto, Geneva, Zurich, and Vienna.

We are very concerned about the economic developments in recent years, especially with respect to the global rise in debt and extreme monetary measures taken by central banks. We are reluctant to believe that the basis of today's economy, i.e. the uncovered credit money system, is sustainable. This means that particularly when it comes to investments, acting parties should look beyond the horizon of the current monetary system.

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