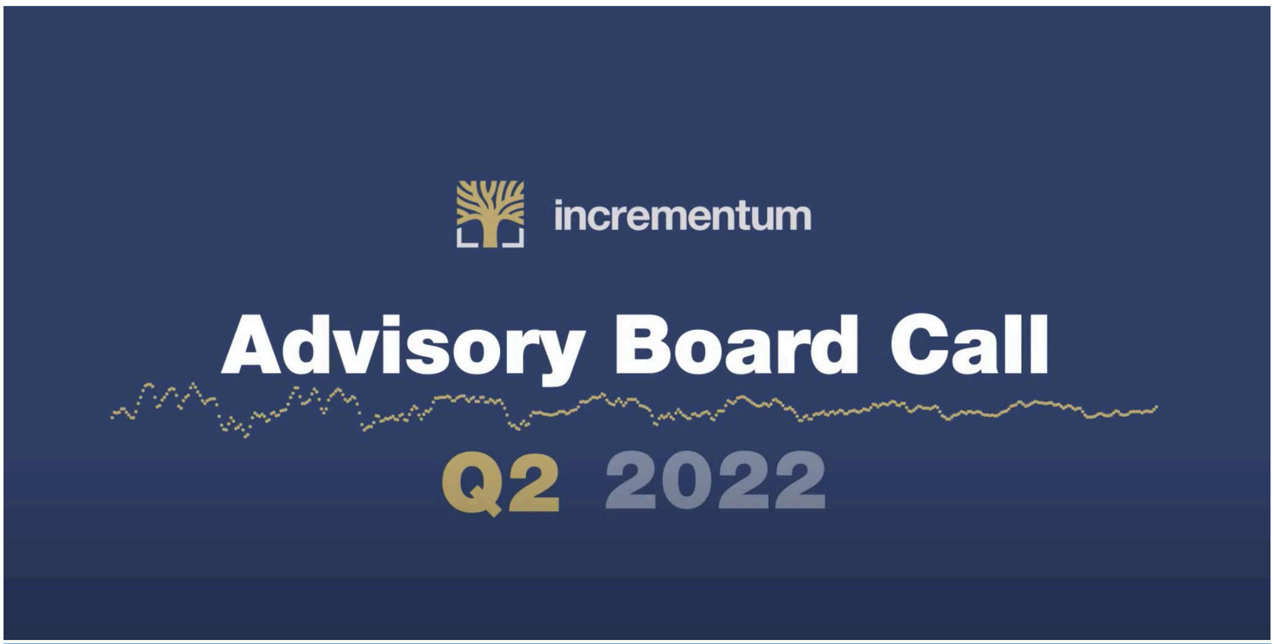
Q2 2022 Advisory Board Call

April 20, 2022

ENERGY WAR LOOMING?

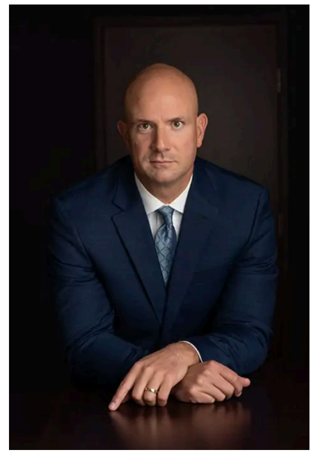
CLICK TO WATCH



THE VIDEO ON YOUTUBE

Highlights of the conversation:

Luke Gromen:

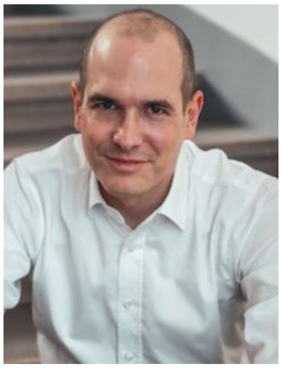


- We now have the biggest sovereign debt bubble since the aftermath of WW1.
- The Federal Reserve are raising rates but they have not done enough in terms of deleveraging their balance sheet on a debt/GDP basis and now things are starting to blow up.
- If The Federal Reserve don't want to crash the entire system then they need to let inflation run.
- Central bankers are basing monetary policy decisions based on non-monetary criteria, especially on political and environmental issues. This is exxtremely dangerous and irresponsible because it will have adverse economic effects.
- The US government needs asset prices to rise in order to drive tax receipts.
- It is a matter of urgent national security for China, Russia, and others to move away from pricing energy and commodities in US dollars alone. We are seeing more and more countries actively pursuing this and the US moving to try and slow or halt this process.
- Since the fall of the USSR in 1990 there has been this slow and steady acceleration back to a more decentralized system, primarily around energy
- The IMF seems to be having a difficult time deciding between their own members what is the correct way to move forward. This infighting will likely hinder them greatly from having a large global impact in the future.
- The Federal Reserve wants to avoid yield curve control and certainly explicit yield curve control at all costs. It is likely that we will see the US government purchasing Japanese bonds within the next few years.
- Europe's economic future is likely to its east and not its west. Russia and China have big plans economically, including the Belt and Road Initiative.
- The US threw the ball back into the court of Europe, Russia and China. If they keep fighting the Europeans could commit economic suicide.

Ronald Stöferle:

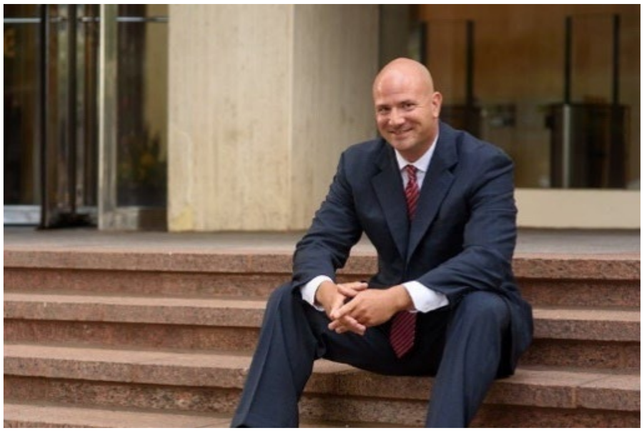
- We are today joined for the first time by Niko Jilch. Niko is a long-term contributor to the In Gold We Trust report and he just set up his own business.
- Central bankers all over the world now seem to have new mandates when it comes to climate change, inequality and other social issues.
- Emerging market countries could buy physical gold to hedge their US dollar exposure, their current gold holdings are miniscule compared to western countries.
- The BOJ tried to implement yeild curve control and the release valve seems to be the yen crashing vs the dollar and vs gold.
- Russia seems to be signaling that they do not want a prolonged war.
- US moneraty policy seems to be in a state of disaster.

Niko Jilch:



- Thank you for having me. I you can follow my podcast or YouTube channel it is great to be here.
- There are indicators pointing toward the IMF possibly trying to set up something like a Bretton Woods III system.
- Current governments don't want to fight inflation, but they need some kind of new narrative to allow them to print more money.
- The freezing of currency reserves by Europe and especially the US, was a "break the glass" moment, from a structural system point of view, that was the west shutting the system down.
- The Russians seem to be interested in connecting the entire Eurasian area and forming some sort of a pan-continental alliance, but will Europe play along?

Biography of our special guest:



Luke Gromen is the founder of FFTT, LLC ("Forest for the Trees"), a macro/thematic research firm catering to institutions and sophisticated individual investors.

Luke's vision for FFTT was to create a firm that would address the opportunity he saw created by applying what customers and former colleagues consistently described as his "unique ability to put the big picture pieces together" during a time when they saw an increasing "silo-ing" of perspectives occurring on Wall Street and in corporate America.

Ronnie Stöferle and Nikolaus Jilch conducted the interview with Luke Gromen on April 20, 2022.

Follow Luke on Twitter here.

Transcript of the conversation:

Ronnie:

Gentlemen, it is a great pleasure having you here for our Q2 2022 advisory board meeting. It is a special meeting, as you can tell, there are two new faces. One of them, you probably know of him, is my dear friend, Luke Gromen. Luke, thanks for taking the time.

Luke:

Thanks for having me back, Ronnie.

Ronnie:

And we also have Niko Jilch. Niko, thank you for joining us. Niko is a long-term friend of mine; he is a long-term contributor to the In Gold We Trust report and he just set up his own business. He is an entrepreneur now. Congratulations on that, I wish you a lot of success and I am very proud that we can be a part of that success and that we support your venture**.**

Niko:

Thank you for supporting me and my podcast and YouTube channel and off course for having me here. I am seeing Luke for the second time this week today because I just published an interview with him for my channel. I'm glad we can pick up where we left off.

Ronnie:

Great! Luke, you were introduced to me via our mutual friend, Grant Williams. He told me about you at the Mines and Money conference in London. He said: "Have you ever heard about this Luke Gromen? I think what he is writing is fantastic". We featured you for the first time in our Q3 2017 Board meeting. Then we had an interview with you in 2018 for the In Gold We Trust report, it was called: "The dollar appears to be in Zugzwang". Then, in the 2020 In Gold We Trust report we did another interview, which was called: "A deep dive into the geopolitics of oil, gold, and money" (IGWT 2020 page 117). This is our fourth interview, we are truly looking forward to it, there are so many topics to talk about. I would like to start with a Tweet, it is something that you wrote recently in your FFTT Tree Rings. You wrote:

"We want to be very clear; the current setup may be the scariest setup we have seen in our 27-year career. For traders that mange a book on a monthly basis, we would recommend to be in

maximum defensive position. Cash, short term US treasuries and maybe gold, until the Federal Reserve is forced to come to the rescue."

I tweeted out this morning that I am very bearish, I did a lot of research over the weekend and I am astounded how hawkish the Federal Reserve has become quite recently. A big problem for all of us is: At what point will the markets start panicking? I think they are starting at the moment. At what point will the Federal Reserve have to make a U-turn?

Luke, could you give us your view about all these topics that are currently unfolding and the "everything bubble" that might be crashing at the moment. What do you see happening over the next couple of weeks?

Luke:
We have a really difficult setup in terms of the macro view, where over the last 20 years we had an equity bubble, then we kicked that up to the banking system via the housing bubble, we kicked that up to the sovereign level where we **now have the biggest sovereign debt bubble, the first global sovereign debt bubble in 100 years, since the immediate aftermath of WW1**. This is also the first Western sovereign debt bubble since the end of WW2. This leads to a number of different things, within this you have an overlay of a commodities crisis of sorts, that we had already in terms of "peak cheap energy". The marginal costs of producing energy are moving secularly higher due to geology. Now we also have geopolitical tensions on top of that, deglobalization, commodity interruptions from Russia, and from Ukraine.

We have this setup where the credit risk is at the sovereign level, and sovereigns cannot default. This is not really credit risk, it is duration risk. What duration risk is, is just inflation. The sovereigns, and particularly the Western sovereigns, are in a position where they need to try and manage themselves between inflating enough to inflate away the debt on a debt to GDP basis, in order to make the debt sustainable, while also not inflating so much that they spook the bond market. They are trying to fine-tune where that is. They were probably running at about the correct rate, when we were at 8% CPI in the US, 11.5% nominal GDP growth, it probably needs to be 12%-15% nominal GDP growth in the US to get the debt/GDP to levels that are sustainable, from which the FED can raise rates without blowing things up. We have been saying all along that they have not been doing enough, here they are, **they are raising rates but they have not done enough in terms of deleveraging the balance sheet on a debt/GDP**

basis and now things are starting to blow up. It's not surprising to me that things are starting to come unhinged.

We have been increasingly warning people in our reports over the last three to six months, that when the Federal Reserve first came out last June and started talking about being more hawkish, I initially thought it was just jawboning because I did not think that they could be that stupid. But they have positively surprised me as to how stupid they could be. I'm saying that tongue in cheek because it is political, inflation is now so high that it is now a political problem, now they are going to do the wrong thing to address the needs of domestic politics, and domestic politicians in the USA – and lots of other places – are wrong all the time, and that is where we are. They are triggering a crisis.

Ronnie:
I have to say, Austrian politicians are always wise and are doing a fantastic job (laughs). You would agree that the high inflation numbers are only caused by Mr. Putin, as the narrative goes nowadays?

Luke:
(Laughs) The "Putin price hike" is a perfect example of what I was talking about. I don't know what is more disappointing, the fact that they try to pass that off or the fact that more than half of Americans actually believe it. It is what it is, I don't even think it is good propaganda because it is so easily disprovable, but here we are. This thing was going on well before that and it is a convenient scapegoat for American politicians.

Niko:
The conventional wisdom would be that inflation is going up, whatever the reason is, we need to tighten and we need to raise rates. Do I understand you correctly that you think that is stupid and that the Federal Reserve should not be raising rates right now?

Luke:
Well, that depends on what they want to do. **If they want to crash the system, then it's the smart thing to do. If they don't want to crash the system then they need to let inflation run**. Last year about this time we published a report that estimated that if they wanted to normalize policy without crashing the system, they needed to let inflation in the US run somewhere between 12% and 18% for 5 years. That is the level of negative real rates they would have to get to in

order to get debt/GDP down from 130% to about 80% which is what we estimated where they could normalize policy without blowing up the system. They managed to get it down from 129% down to 122% with 12% nominal GDP growth and 8% CPI which tells us that our numbers probably were not that far off. But at 122% debt/GDP and 8% CPI they began panicking and now they are tightening and we are already starting to see debt/GDP go back up.

It is one of these decisions where you can't go back in time, having made the decisions they made, you just have to inflate it away, otherwise you are going to cause a bigger calamity than what is already transpiring. It is like watching a slow-motion car crash, the domestic political consultants and the news shows are all focusing on inflation, on both sides, trying to either use it as a weapon against Biden and the Democrats in the mid-term elections or trying to fight against it or spin it like the Democrats are. They are so worried about inflation; they are always worried about the wrong thing. They are going to have an asset price problem and an economic problem right around election time if they don't turn course soon.

Niko:
That is an extremely important point because this is very much political and it is US-centric politically. There are mid-term elections and the administration is trying to fight inflation, that is what it looks like. This seems to be a plan that came from before the war, now they are doing it. Are you saying that they will realize at some point that people don't like it when their stocks go down?

Luke:
That is exactly what they are going to realize. Stocks and their houses etc.

Ronnie:
But Luke, didn't Bill Dudley write about this "reverse wealth effect" on Bloomberg? Dudley is not a nobody; he is very influential and he probably talked to his former Federal Reserve friends before publishing that piece. Do you think that is ahead fake or is it a strategy that the Federal Reserve might be pursuing now when realizing that they will have to do something about this inequality? **We know that central bankers all over the world now seem to have new mandates when it comes to climate change**, which seems to be the most important thing for Ms. Lagarde these days. But also fighting inequality, which is something that Lael Brainard and also Jerome Powell refer to quite often. Do you think they have been pivoting into this "reverse wealth effect" and demand destruction, leading to a cooling effect on inflation without causing a recession? The

hubris that they have to think that they are trying to fine-tune this thing like it's a thermostat, it's astounding. Do you believe that or is it just a story that they are making up?

Luke:
I think it is factoring into their thinking. That asset price inflation is driving CPI inflation and my view of this has been **that there is USD 35trn in assets that the baby boomer generation owns and the US policymakers and the US media have spent the last two year**s scaring the US baby boomers to death: "You are going to die sooner than expected because of Covid". Now the boomers are long assets and short time, in their minds. If you sit down and listen to the news, as my parents and my in-laws and etc. do. The message is "Oh my god I'm gonna die". Ok, so if you are going to die sooner than you think, what are you going to do? You go and spend money. How much money do they have? They have almost all the money. Boomers have all the money!

It's a tricky thing and I think the Federal Reserve is seeing that when you really look at the problem, the reason that the boomers have USD 35trn in wealth is because of policy to sterilize inflation in the first place. When you look at how these boomers got all this money, in no small part it is deferred accounts. 401k plans, IRA plans, things where there was inflation happening and the US government gave tax breaks to take that inflation out of the real economy and put it into asset inflation instead and thereby defer it. That way it is just stock prices growing and the boomers can't touch it until they are 70 years old, because it is retirement money. The US government inflates it upfront and then defers the inflation into the real economy until the boomers retire, and guess what, now they are retiring and you have scared them to death that they are going to die way sooner and now they are spending all their money as fast as they can.

We have two things happening at once in terms of asset inflation. First, asset price inflation that was sterilizing CPI for 40 years is coming back into the economy. Secondly, this is driving velocity – and I don't really care what the velocity numbers say, I think they are BS – but velocity is coming back, because boomers are long money and short time. The question then is: Ok, I do think this is happening and I do think the Federal Reserve is thinking about it this way. Is crashing the markets a way to deal with it? William Dudley is the same guy who, in August 2019 wrote an op-ed similar to the one he just wrote about crashing stocks to reduce inflation. He wrote in August of 2019 that the Federal Reserve should tighten rates to put pressure on Trump, to basically ensure that he lost the election in 2020. This was 3 weeks before the repo rate spiked, because liquidity was already that tight. The Federal Reserve was already loosening at that point, we were about to have a blowup, the Federal Reserve's balance sheet was literally 3 weeks from beginning to grow again and it hasn't stopped since, and this guy was talking about tightening rates to fight a politician.

This is just to illustrate how political and how mainstream groupthink in Washington is. I think this is part of their thought process and he is talking to all the same people, and they are thinking of it and it is going to be a disaster because they are not running a dial, it's a switch. This is because the baby boomers are all running the same math and the second that stocks drop 10% or 20%, they will get on their computers, and they all, like my dad, have a spreadsheet that shows them how much money they have and how much money they are spending. When they see their net worth drop 10% or 20%, they will have to cut spending immediately.

Ronnie:
Or they will have to die sooner. (Laughs)

Luke:
Yeah, or that. So, I understand what they are doing and I understand why they are doing it, but it is not going to work. **They can get stocks down any time they want, but the flip side is – and this is the side nobody is talking about – the problem is at the sovereign level and the US government needs asset prices to rise to drive tax receipts**. When asset prices fall, tax receipts fall and 120% of all-time record tax receipts, at this moment are entitlements, defense, and treasury spending. They are not even covering the basic spending with all-time record-high high tax receipts and with asset prices in an "everything bubble".

If they want to take asset prices down to try and tame inflation, great, but within months, if not weeks, the Federal Reserve will be in a precarious position because there are no buyers for these treasuries. You can shift some money out of stocks into treasuries, but as you do that you are also going to be increasing treasury issuance, because your receipts will be falling along with asset prices. There is this dynamic that nobody is talking about, the importance of asset price inflation driving treasury receipts, primarily through the consumption link which is 2/3 of GDP.

Niko:
Luke, we talked about "Putin's price hike" and the funny thing is that here in Europe, where we are closely connected to what is happening, nobody is trying to sell the "inflation is Putin's price hike" narrative. This tells me something positive about the Europeans, but my question is this:

Under the new circumstances, because the war *is* driving inflation, it's just that not all of the inflation is because of the war. **Will it even be possible to get inflation down with the wage hikes like there are in play now?**

Luke:
I think yes, but I question what the collateral damage will be. If you want to send unemployment in Europe high enough, we can get inflation down. If you send unemployment to 10% or even 20%, you can get inflation down. But if there is a shortage of food, those types of inflation levels will have political side effects. We saw Macron winning in France, that might put the side effects on the back burner for now. **But if you take unemployment to 10% to fight inflation, Le Pens are going to pop-up all-over Europe.** There is this very established historical president for that. This again gets back to the fiscal situation, Europe's fiscal situation is not good either, what does that imply for budget cuts, or a deflationary spiral?

They can do it, but it is a little bit like in the scene in the movie Cast Away with Tom Hanks. Where he is trying to knock out his abscessed tooth on a deserted island, and he uses a rock and hits the rock on an ice skate to knock his tooth out. He ends up knocking himself out as he knocks the tooth out and he is out for a couple of days. In the same way, policymakers can get rid of the abscessed tooth of inflation, but it's going to be like using a shotgun to get it out. You put the shotgun in your mouth, aim it at the tooth and pull the trigger, and of course there will be collateral damage. Political populism and high unemployment and the central bank will have to fund the government because they made all these entitlement promises and now, we don't have any tax receipts at all to fund them. Then they will have to re-do QE.

I think they can probably do it, but between the peak cheap-energy stuff that we were talking about, where there is higher cost marginal supply, and the war that causes supply disruptions and there are still ongoing supply disruptions and de-globalization. If you think how draconian the economic downturn needs to be, it needs to be much greater in order to tame inflation this time because of these structural factors. All these factors that I mentioned, are all inflationary. This means that you used to need to take GDP down 3% to get inflation down and now maybe it needs to be down 5% or 8% or maybe 10%, and those numbers are bigger than what we saw in the Covid crisis, and that was enough to crash everything. That is why I said it is like trying to remove an abscessed tooth with a shotgun.

Can they do it? Sure. Can they do it without blowing their head off and blowing the economy's head off? Probably not.

Ronnie:

I agree, I am not aware of too many soft landings where things worked out well in practice. Luke, there are a great many topics to talk about. I would love to talk about Japan later on, but let's talk about your main area of expertise, which is de-dollarization. You are the superstar when it comes to this topic and a few years ago it was a topic only for macro nerds in the gold community, but now it is becoming mainstream. Even conventional newspapers and television stations are starting to discuss this and I am very happy and proud that we have been in contact for so long and have been discussing this for years and now you have become a sort of rock star in this domain.

In your discussion with Niko recently, you talked about the emergence of the Bretton Woods system, the Petro Dollar, and the historic reasons for the mess that we are currently in. Let's now jump into a more current topic, the Russia/Ukraine war and how it will impact our monetary system. Zoltan Pozsar wrote about the possibility of Bretton Woods III, we know that over the last couple of weeks there was so much going on that it is exciting but also exhausting to follow everything that is going on. From your point of view, what have been the most interesting and most under-researched topics that you have seen over the last couple of weeks?

Luke:

It has been interesting to see some of the evolution of this de-dollarization theme that you talked about. For me, there has always been a yin and a yang to it, where people want to say that it is an attack by the Chinese and the Russians and these people who are fighting the rules-based global order, and that is part of it. But it is also partly a defense by those same people against the dollar being weaponized against them.

It is literally a matter of acute and urgent national security for China and for Russia and for others to move away from pricing energy, in particular, and also commodities more broadly into dollars alone. There has been this movement, driven by both geopolitical aggression and geopolitical national defense for these countries to move away from pricing oil, in particular, in US dollars. When we first started talking about this in 2014 – 2017, people thought we were nuts, earlier this year you have on the front page of the Wall Street Journal: "Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales". When you see things like that and you see India in the midst of this crisis with Russia and Ukraine, telling the US: “We will do what makes the most sense for us and that is to buy Russian oil in Rupees”. It is almost formulaic, a week later all of a sudden, the US is concerned about human rights violations in India. It’s very, very cynical and I am too old to be naïve when I watch these things, you could have predicted it.

Niko:
And now the US is not worried about human rights violations in Venezuela anymore.

Luke:
(Laughs) It is like: “Hey! They are a much better country now all of a sudden”. Ultimately this all feeds back into the de-dollarization theme, which is: The whole world is realizing that they are going to have their turn in the spanking machine, no matter what, and the spanking machine is the dollar system and the US politicians running it. So, they might as well do what is best for their interests. **Within every country, there are both pro-dollar and pro-de-dollarization factions for different domestic self-enlightened views. But you can see it moving quite steadily and ultimately this Russian situation has** accelerated **it, because now it is crystal clear that if you do something the US does not like, they are going to confiscate your reserves.** The US has been threatening it, they did it to Afghanistan, they did it to the Iranians, but all of those were smaller nations, they were not the world’s biggest commodity and energy exporter, they were not the world’s biggest country by landmass, they were not a nuclear-armed nation, they were not a G7 nation.

It’s an entirely different situation and like I have said before, everybody has been a bad actor in the eyes of the US over the years. That’s not because America is bad or good, it’s just how international geopolitics go. Those actions were acceptable under circumstances where the US was protecting Europe from the USSR, where the US was a much bigger percentage of global trade and a bigger percentage of global GDP.

I don’t think people ever really loved this dollar system, I think they accepted it because it was less bad than getting invaded by the USSR, and as soon as the **USSR broke up, since 1990 there has been this slow and steady acceleration back to a more decentralized system, primarily around energy.** Which is to say that countries and trade blocks want to buy energy in their own currency and it’s a matter of national security for all of them to do so. Particularly those who are creditors that are net-short energy. The European Union, China, Japan etc.

Because it is a matter of national security for them to do it, I don't think this de-dollarization is something that can be stopped. It's going to keep moving in bits and starts and I think what Russia did accelerated things quite meaningfully. There is this quote from Frank Zappa:

"The illusion of freedom will continue as long as it's profitable to continue the illusion. At the point where the illusion becomes too expensive to maintain, they will just take down the scenery, they will pull back the curtains, they will move the tables and chairs out of the way and you will see the brick wall at the back of the theater."

I think that by implementing the Russian sanctions, the US was saying: "Ok, the curtains are gone, the set is gone, all of the props are gone, here is the hard brick wall". If you do something we don't like, we are going to grab your money.

Niko:
One of the main things in monetary politics for decades has been that the US dollar is a national currency and also an international currency, and that is a problem. We have known this since the introduction of the Bretton Woods system, then in the 1960s, Robert Triffin layed out the Triffin dilemma and one of the so-called "solutions" was the "special drawing rights" at the International Monetary Fund. A basket of currencies used as an international reserve asset. There have been numerous attempts over the years to reintroduce this. My question is this: **When we are moving into a new monetary system, how high do you think the chances are that the IMF will try to set up something like a real Bretton Woods III? Could we see them arranging a conference where they establish new rules and potentially discuss something similar to special drawing rights, because I see the IMF moving on this**. If you look at the interview with IMF director Kristalina Georgieva, where she said:

"I think we are not paying sufficient attention to the law of unintended consequences. We make decisions with an objective in mind and rarely think through what may happen that is not our objective. And then we wrestle with the impact of it."

"Take any decision that is a massive decision, like the decision that we need to spend to support the economy. At that time, we did recognize that maybe too much money in circulation and too few goods, but didn't really quite think through the consequence in a way that upfront would have informed better what we do."

“We act sometimes like eight years old playing soccer. Here is the ball, we are all at the ball. And we don’t cover the rest of the field.”

“Our ability to deal with more than one crisis at one time is very, very limited. and we have to zero in on the really big things that could determine the future and keep our attention on them.”

Her admitting all these things seem crazy. Then there was a report called: The Stealth Erosion of Dollar Dominance, written by Barry Eichengreen, who has been very vocal about the exorbitant privilege, etc. Do you see a possibility for a new monetary system built around the IMF, or is this just the IMF trying to stay relevant in changing times?

Luke:
Good question. Looking at it from the outside in, I think it is one of those situations where they are just trying to stay relevant. I think they know what the problem is, it is as Jean-Claude Juncker famously said:

"We all know what to do; we just don't know how to get re-elected after we've done it."

I think it is the same issue for the IMF where they know what they need to do, Eichengreen’s paper (as mentioned above) highlights some of the issues. The challenges are that you have to get a whole lot of nations together and maybe that was possible 10 years ago, but that does not seem possible now. You have the IMF which is still majority US-controlled, which will feedback into the first problem. Then you have different factions within the US regarding the dollar system, which has gone from a tiny minority who sees this as an exorbitant burden, not an exorbitant privilege anymore, to a much bigger minority. Since Covid, in particular, they are starting to realize that the US dollar as it is structured is a problem, but there are still a lot of people that dogmatically, simplistically, and hubristically see the dollar as an exorbitant privilege and nothing else.

Then you have different political factions on the other side as well. You have the mercantile factions in Europe and China and Japan, who don’t want anything to change with the dollar system and others that would like to see it change. At the IMF you will get a bunch of people together who don’t want to get together. The US is controlling a big part of the IMF and they have to agree, and they don't want to agree, then there are the different factions in each of the minority voting members of the IMF to agree. I just don't think they will ever make any progress.

They have to first identify what the issue is and I don't think there is any political wherewithal to even say what the solution is, let alone trying to implement it without a severe crisis.

Niko:
May I add one more question? When you look at what China and Russia are doing behind the scenes, they are basically trying to build something like the special drawing rights, something like a "common currency" that is denominated in their local currencies and also commodities. This would tie in with what you are saying and also with what Zoltan Pozsar is saying, then you have Janet Yellen talking about a bifurcated financial system. My question is: Is it possible that we will see two IMFs, an eastern IMF and a western IMF, and is it easier for the US to just go with their version, half the special drawing rights global currency, but under their control within the IMF, and we then have that and a separate entity doing the same in the east? Is that a possibility?

Luke:
Yeah, it is. The challenge would be to get all the right people in your club, because if you don't have enough energy in your club, or you don't have enough manufacturing in your club and the other club has more manufacturing and energy, or is more efficient than you are, then your club is going to die over time. You're going to lose.

If the factory of the world, which is China, is married with Russia, who has all these metals and energy, etc., and a quorum of the Middle East participates in that, and the Middle East has to because China is their biggest customer. Then the US is left with shale gas, which isn't ramping up. The oil price has been up for 8 weeks and there has been no increase in US shale production and no increase in US oil production, and then you have European manufacturing.

It would be workable, but you will have two competing systems and these competing systems will force the system to be kept more honest. What that looks like is: The US is going to have to either see much higher inflation or really draconian measures to fight inflation and takedown asset prices, which is going to feed itself in the wrong direction on the fiscal side. So, it's possible, but I don't think it's a happy path from here to there.

Ronnie:

I agree, and I think the decision of which club to join is not an easy one. In Vienna there are two soccer teams, Rapid Vienna which is my team, and then there is Austria Vienna. In baseball, it would be the Yankees and the Mets probably.

If we come back to the topic of gold, this decision by the western world to say that: "Your FX reserves are worthless". **Isn't that the best case there could be for owning physical gold over the long term for central banks?**

Luke:

Yes. Absolutely.

Ronnie:

My question now leads to a topic that has been going on for a while already. What Kenneth Rogoff said in a piece published by Project Syndicate, where he recommended emerging market countries buy physical gold to hedge their US dollar exposure. We all know what has happened over the last couple of years, but still these emerging countries' gold holdings relative to the western world as a percentage of total reserves is minuscule. **Do you see this as a big driver going forward on the demand side for gold and, if yes, wouldn't that also be some sort of threat to the paper market for gold?** Many people have criticized the paper gold market and the huge gap between the physical and paper gold market. Do you see that potentially blowing up similar to what happened in the nickel market recently?

Luke:

I think it's going to continue to drive a steady gold bid from foreign central banks over time. Importantly, the manner in which we are going after Russia's gold, anything that is held offshore is subject to sanction or seizure. That speaks to the market being physically driven, the Basel III net stable funding ratio rules for the gold market that went live in London earlier this year and in the US and Europe mid last year, they continue to be a splinter in my brain. Because they talk about wanting to ensure the gold market can't threaten the stability of the global banking system, and to me, the only way the gold market will ever threaten the stability of the global banking system is if the price of gold were to rise a lot in a relatively short period of time. Why would the Bank for International Settlements, who is the central banker's central bank, be worried about a threat to gold and make rule changes that effectively push global banks to wind down paper shorts and reduce their unallocated paper leverage, ahead of what has turned out to be developments that are extraordinarily bullish for physical gold held locally within countries?

We will look back in 5 years and say: "Wow, that was really positive for physical gold". Now, does that blow up the paper market? I think at some point it does, but that is an entirely political construct. It's not going to matter and then suddenly we wake up a week later and suddenly it matters, and there are any number of geopolitical or market-driven reasons that you could see that happen. Like what we were talking about at the start of this interview with "Putin's price hike", you said we are calling it "Putin's price hike" in the US and I said I don't know what is worse, the fact that they are trying to pin this on him or the fact that more than half of Americans are actually going to believe it. Off course it's not Putin's price hike, it's the same thing if we woke up one day and gold is USD 5,000 or USD 7,000 or USD 10,000 per ounce over a week or over a month. Whatever they say or blame it on, most people will believe it if the set of circumstances is there. But a certain set of political circumstances has to be in place before that happens, we are moving in the right direction in terms of the gold market being more physically driven. What has happened in regards to these sanctions are likely to be a positive catalyst for that, but when will it really matter? It's hard to know.

Ronnie:
Luke, a topic that I wanted to talk about, because it's the leitmotif of this year's In Gold We Trust report, is the topic of stagflation. We know from mainstream economists that it is a concept that is basically impossible. But we saw it in the 1970s. The leitmotif of this year's report will be "Stagflation 2.0".

When it comes to asset allocation, there aren't a lot of periods for us to compare the current situation to, except the 1970s and we know that gold did a pretty good job as a hedge against stagflation in the 1970s, we also know that energy and materials, in general, did quite well. From your point of view, what are the main differences between the 1970s and our current setup?

Luke:
I think the main difference is by far the **most important difference, which is the global sovereign debt bubble, and in particular the western sovereign debt bubble**. USD as the global reserve currency, they are currently the center of the system. In the 1970s, US debt/GDP was 30%, now it's 125% and moving higher. The point is that in the 1970s there was a lot of leeway for the US to allow the interest rate to rise and fight the inflation/stagflation. When we

eventually managed to crack down on it, yes it caused a severe economic contraction and a recession, yes it caused a lot of private-sector bankruptcies, however, there were no risks to the sovereign solvency of the US, the European Union, or Japan. Right now, fractions of the type of rate hikes that we saw in the 1970s will mathematically cause threats to the solvency of the US, European Union, and Japan.

Let's look back in history and see how many times nations with a purely fiat currency has gone bankrupt instead of printing money, it's a really, really short list. They always print money; they don't go bankrupt. That's where we are right now, where there is this collective delusion that we are watching central bankers and governments engage in, and markets are believing them. Like the "Putin price hike", markets actually believe that governments will let themselves go bankrupt. It's crazy, there is no chance. We have to be cognizant to play that game and understand that in our position, short run, that markets actually believe that central banks will let their sovereigns go bankrupt, there is no chance that's going to happen. It's really just a question of when circumstances get dire enough to force the central banks to finance these deficits and prevent that insolvency. That's the big difference.

The sovereign balance sheets are just night and day different (from the 1970s), they are reminiscent of post-WW1 Europe. In post WW1 you have the six big industrial powers. The Austro-Hungarian empire, the UK, Germany, France, Russia, Japan, and the USA. Austro-Hungary hyperinflated, Russia hyperinflated, Japan depreciated, I think 80% vs gold, the French devalued at least twice, the UK was amongst the last to go, in 1931 they devalued massively vs gold and the USA went last in 1933 when we devalued 75% against gold. Sovereign debt amongst all these participants in real terms just collapsed. I think that is much more apropos.

I think we are seeing a blend of the 1970s, the immediate aftermath of WW2, the immediate aftermath of WW1 and this is some sort of toxic mix of all those situations. **The most important thing is the sovereign balance sheets globally and in the west in particular. There is just no ability to fight inflation the way that they did in the 1970's.**

Niko:
And we don't want to. Nobody actually wants to fight inflation. The Bank for International Settlements said that we are going to see a new age of inflation. **Even if you hike rates and cause the stock market to go down, that is what you need to do before you can print even**

more money. You need a new narrative; you need a new crash in order to print more money to "save the world".

Luke:
I think that is probably what they are working on right now. This new narrative, the full macroeconomic narrative of "Putin's price hike". The narrative will be "Oh, the system crashed, we need to print more money, we need to save you all again, so we central bankers can be heroes again". That is what we are watching in real time.

Ronnie:
One example that I think is worth following is what is going on in Japan. The Japanese did 13 or 14 rounds of quantitative easing, but so far it has not been extremely successful. Now they are also doing "QQE", that's quantitative and qualitative easing, so they are also buying REITs and ETFs and other things. What has been heating up recently, and we have one big trade in one of our funds set up, which used to be called "the widow maker", I think Kyle Bass took a loss on this trade a couple of years ago, but now it is becoming more and more asymmetric from a risk/reward perspective. The Bank of Japan desperately tries to limit the yield for their 10-year bonds to 25 basis points, but now we are seeing that their balance sheet is exploding and there always has to be a release valve, and that is obviously the Japanese yen, which has lost big time against the USD, and if you follow the Japanese yen in gold terms, you can see that it is making new all-time highs, or let's rather say the yen is making all-time lows against gold on a continuous basis.

I have to admit that I thought that when the 10-year bond yield reaches 2%, that would be the level where the Federal Reserve would get very nervous and start talking about yield curve control. Going forward, do you think this would be a measure taken by the Federal Reserve? Will they at some point start buying equities or other assets? Probably not Bitcoin, yet. What is the next tool that the Federal Reserve has in its toolbox?

Luke:
If you go back to Ben Bernanke's famous deflation speech in 2002, he runs through a series of options that the Federal Reserve can deploy to fight deflation. It ended up being a really good playbook for 2008 and onward. They did a lot of what he discussed in that speech. One thing that they never did that I am aware of, or at least not in any size, is that the Federal Reserve can, by their mandate, buy the sovereign debt of other nations. A very likely step if we continue to see a

disorderly decline in the yen, for the reasons you just discussed, is that we could see either the Federal Reserve or the United States Exchange Stabilization Fund, the ESF, which is under Treasury, and can do whatever it wants to maintain orderly markets. I think we could see them buy Japanese Government Bonds, for the Bank of Japan.

You would see the USA selling dollars and buying yen effectively, to try to stabilize the yen and weaken the dollar, which would help Japan, but also the US because as the dollar weakens against the yen it improves Japanese purchasing power to buy treasuries. The US has a demand problem for treasuries which will get a lot worse if the yen keeps weakening. I think that would be the first step, the Federal Reserve wants to avoid yield curve control at all costs and certainly explicit yield curve control because that's the Hotel California, the song by the Eagles where you can check out any time you like, but you can never leave. If they do explicit yield curve control their balance sheet goes from USD 9trn to USD 30trn over 3 to 4 years. The bond market, or at least a big part of the bond market, is going to get put to them. I think they really want to avoid that, and the intermediate step is likely this Japanese Government Bonds step.

It depends on what the yen does, but the hope is that if they get inflation down then they won't have to do this. If they can get Japan's current account deficit back into a current account surplus by getting energy prices down, then they can stabilize the yen and the JGB market, if you can do that then you will get a weaker dollar and a stronger yen and more treasury purchases from Japan again. That can keep things going for a bit. Then again, if you go back and look at peak cheap energy and some of the other things we talked about at the beginning of this discussion, you will have upward pressure on energy over time.

It is a dance that they are trying to do that was really thrown into disarray by what Putin did and the energy inflation, but that would be their next step. If they are unable to get commodity prices down, I think you will see, within the next 18 to 24 months, either the Federal Reserve or the US Exchange Stabilization Fund intervening in the yen, by buying JGBs.

Niko:
Can we try to get some long-term positive outlook on this whole global situation that we are in right now? Let me give you a few examples: On 22 April we saw Israel adding the renminbi to their currency reserves. Somebody there decided that it is time to buy some yuan. In the middle of April, we saw Kuwait and Saudi Arabia indict Iran to talk about a gas field that all

three of them claim and exploit together. Furthermore, Elon Musk has just bought Twitter. Can you talk about what is going on from the long-term perspective globally? Where are we going with this system and what are you expecting to see over the next 10 years? Especially, where will Europe be standing?

Luke:

I think **the Middle East desperately wants stability, in particular Saudi Arabia. They want USD 90 oil and stability**, that is what they are after. But they have seen nothing but instability for the last 25 years in the Middle East. The Chinese also desperately need stability in the Middle East. The US, if we look at things from an enlightened point of view, we should be rooting for stability in the Middle East, but there are interests in the United States that take a cynical view and say: "We are mostly good on food, water, and energy, and if we foster instability in the Middle East, we can tip over places in the Middle East we do not like, we can tip over China, we can tip over Europe, and force Europe into our arms". I think that is some of what we are seeing. If I was playing a chessboard and you said: "Luke, make the US win at all costs". That is what I would do, and I think there are elements of this that we are seeing in real time.

If it comes down to what is a happy version of the outcome, **you get some sort of détente between Eurasia and non-Eurasia has no choice but to go along, out of commercial interests, and the world prospers, all together.** There would have to be some relative wealth influence shift that would take place. I think ultimately that is what will happen. Basically, you will have Russia as a connector between China and Europe. In Europe right now, the Federal Reserve is trying to ride two horses with one ass in regards to inflation. They need to convince the bond market that they are not going to inflate away their debt while doing that.

Europe, on the other hand, is trying to ride two horses with one ass with regards to geopolitics, which is: We are going to keep the Americans happy and thinking we are with them, when our economic future is really to our east and not our west. We are watching that happen in real-time as well. I think the Russians just want to be left alone and sell their gas in exchange for a currency that is not going to go to zero in real terms. For treasuries and FX reserves that won't go to zero against their oil, which is gold or… maybe Bitcoin, but gold definitely, and then they want to prosper from the associated development of Eurasia. You saw the head of Rosneft, Igor Sechin, said that the growth of Eurasia is something that is organic and unstoppable. He said this in 2017 or 2018 and that is the guy that is running 5% of the world's oil supply and he is a close friend of Putin. He is telling you what they want from an economic perspective. So, the happy version is Eurasia connects and there is this huge boom of economic growth as you bring together the east of Europe and the west of China, the Belt and Road fills out, out get economic trade, you get a virtuous cycle, US companies also benefit from this as well, etc., and everyone gets along. That is what I think when I think about those three headlines in sort of a happy scenario.

Niko:
And the Russian foreign minister, Sergey Lavrov, even during the war is still talking about having a Eurasian union from Lisbon to Vladivostok, when that landed in the European press, everybody thought it was crazy. That has been an old meme in Europe, I have heard this in Moscow and in Austria, it's the old idea of long-term cooperation. You can see the long-term benefits of that theoretically, as long as you don't work for a think tank that has the word "Atlantic" in its title.

But on the other hand, you have the current war and the provocation by Putin and the atrocities that he committed and what was said and what was done in Europe. Freezing the currency reserves. The Russians wanted to go the euro route, they even used the euro in their dealings with China and India. But then Europe says that they can't access their reserves. If we wanted to, how could we get out of this situation of conflict?

Luke:
My friend Louis Gave, said a couple of weeks ago that the Americans are prepared to fight the Russians down to the last European. As tongue-in-cheek and brutal as it is, is that what we are watching in real-time? The Europeans didn't freeze US reserves when they invaded Iraq. The Europeans protested but no one did a thing. That is not to say that I am approving or necessarily even trying to equivocate what is happening in Russia and Ukraine with that, but I guess I am. I'm not sure if it is that different. How do we get out of this? I don't know. If I was in a think tank with the word "Atlantic" in the name, what I would like to see is Germany collapse economically, I want to see Europe run out of energy, I want Europe to turn to the US, I want Russia to collapse economically, I want China to collapse economically, I want Asia to have to turn back toward the US, I want Taiwan to revolt from China, I want all these things, and this war checks a lot of those boxes. It's great. The Europeans are actually going to commit economic suicide for me, it's putting pressure on the Russians and all I have to do is just keep on repeating the phrase "war crimes, war crimes, war crimes". I'm not saying war crimes do not happen, I'm just saying that was what I would do if I was trying to break apart Eurasia. I would have war

crimes on the TV and in the western media 24/7, and that is what we are seeing, and it's working, it is breaking that apart.

I don't know where this goes from here, it's almost like the US threw the ball back into the court of Europe and Russia, and China. China isn't doing themselves any favors with their lockdowns. To the extent that that reverberates into US stagflation, maybe that is where we see this show up next, which is: US supply chains keep breaking down, US inflation keeps rising. But it's getting tricky. We are quickly getting to a point where there is not going to be a way to get back.

Niko:
I have to ask this right now, the freezing of the currency reserves by Europe and especially the US, Kenneth Rogoff, whom Ronnie already quoted earlier, he called it a "break the glass" moment. You only do that once, and the Saudis are looking and the Chinese are looking at this, so from a structural system point of view, that was the west shutting the system down, basically?

Luke:
Yes. Someone said to me, "that round is downrange", you can't go back and get it. The question is: What does that mean and what is the next move? That ties back to my prior point, **the ball is now back in Eurasia's court**, so are we going to see Putin de-escalate, or are we going to see Eurasia brokering peace, or are we going to see China broker peace, or will we see some sort of big sign where the three of them get together and say: This isn't in any of our interests, let's stop this. All we (Russia) want to do is sell energy to both of you, all you want to do is grow your economies. But we are now all focusing on one thing in this part of the world.

History is rhyming in a big way, the Berlin to Baghdad railway was supposed to be running through the Balkans and all the Germans wanted to do was to cut out the influence of the UK navy and be able to buy all the oil and energy they needed to drive economic growth in 1910. Then suddenly you had a conflict in the Balkans and it spread out and that was the end of that. Thus, there are ways in which this really is rhyming. We were at the end of a period of great globalization and there are a lot of ways that this is rhyming. They are getting so close to this moment of the Eurasian continent of economic union. Are they going to let this thing break that up, or not? You are going to see a lot of pressure on that fracture, there is a fracture now for the Atlantic side to push on and they are pushing really hard and it looks like it is working right now, which is interesting to see.

Ronnie:

Niko, I think if the shit hits the fan over here in Europe we will have to move to Cleveland, perhaps Luke will offer his garage.

Niko:

(laughs) It surely is big enough.

Ronnie:

The Austrian chancellor, Karl Nehammer went to Moscow and met with Putin. I was a little bit scared because Austria is this little country, and we actually started two world wars, so I didn't know what was going to happen. Most people said that it was a big disaster and that it didn't do anything to help the situation, but Nehammer said that he ended the conversation by saying that he hopes this was will be over soon, and Putin responded by saying: "Yes, I want this war to be over rather sooner than later". Perhaps that is a little bit of a positive sign. The terms "paradigm shift" and "new era" have been overused lately, but we definitely won't go back to the times before Russia's invasion. Niko do you have any more questions for Luke?

Niko:

I do have **one more question on the topic of gold and what I call "the return of real stuff"**. The report is called *In Gold We Trust* and we are not going to change the name, but is this a time to really trust in gold, **something that is important not only for individuals and investors but also on the sovereign level?**

Luke:

Yes, I think it is. It seems like globalization is breaking down, which has been very disinflationary, which would seem to be inflationary. **You have peak cheap energy; you need a reserve asset that has the ability to rise in price with the rise in the prices of energy and commodities and other inputs. We were just talking about how the sovereign debt positions of the west, and particularly, the globe more broadly, are such that interest rates cannot be allowed to rise that far to compensate and offset that inflation**. That is why you need a reserve asset like gold and at least hold some of it on the sovereign level and on the individual level to preserve your purchasing power. Because circumstances from geopolitical and commercial globalization and commodity standpoint all point to structural inflation and away from short-term economic hiccups that may be as a result of Federal Reserve policy error, that I think they are now well underway of making.

I think gold is one of the few reserve assets. But then you see things like the Swiss National Bank buying US equities etc. Things that are more finite that have the ability to better hedge structural inflation over time, those are the things you want to own.

Ronnie:
Luke, one last question that I wanted to ask you. Another mutual friend of ours is Brent Johnson, and you have these kinds of fights going on, on Twitter. I know that you are good friends and that you respect each other but you have different views on the topic of the USD, but the main difference in opinion is regarding the time horizon. Brent agrees that in the end, the dollar will lose significant purchasing power, but he thinks it is a "last man standing" scenario and we all know his milkshake theory. Do you think that with the USD doing so well recently, do you think that his theory is playing out right now? We saw that the IMF was warning about sovereign debt defaults. We saw what happened in Sri Lanka, we saw the consequences of the strength in the USD, also the huge spike in commodities and specifically in energy and agricultural commodities. Do you think that Brent's milkshake theory is playing out now, live? Or would you still disagree?

Luke:
Our original disagreement was down to one thing and that was that he said in mid-2018 that **the Federal Reserve will raise rates and that the USD will go up and that stocks will go up.** I said that this could be true for a short period of time but they can't have all three of those at the same time. The debt in the system and the debt the US has and the lack of sufficient foreign buying of treasuries mean that they can't have all three of those. In fact, we made a bet that one of three things will happen. Either the S&P will be lower, or rates will be cut, or the USD will be lower.

The dollar didn't fall, but by the end of 2018 the Federal Reserve had stopped raising rates and the S&P crashed 20% in Q4 2018. We are now watching a version of this play out, which is that the dollar is up and everything is breaking again and I think that is going to continue being the case and, to me, this comes down to how quickly does this break the US government. You continue to see bond investors still think that they can have their cake and eat it too, and they can't. The sovereign debt levels are so high that their choice is no longer goldilocks. The Lacy Hunt scenario where we will just wait, where we will have a recession and then my treasuries will do good again. Well, they might do good at the very beginning of a recession, but what those bond bulls are missing is that their choices over the course of a cycle are now only if they are going to lose money on a real basis, or they can lose money on a nominal basis. **The US can restructure its debt, which it will have to do in the next recession or the Federal Reserve will have to print the difference**. Those are their only choices. I think you might see a reflexive move into treasuries for a little bit, but we are ultimately going to see what we saw in the covid crisis, which is nine days down in stocks and then treasury markets started crashing. In a word, I think we are watching this dollar situation play out in real time, the milkshake theory.

Ronnie:
I have to say, over the weekend I read the new quarterly by Lacy Hunt and he starts with: **"*Disaster is a strong but appropriate word that applies to the state of US monetary policy*"**. If you read his piece, you can tell that he is getting a little bit nervous about the end of this bond bull market.

Luke, I think we should come to an end, I want to thank you very much for taking the time so early and for being a friend and supporter of us. Now is the time to make a shameless promotion for your services. You can follow Luke on Twitter; he is very active and it's always new information. Also have a look at his website, Forest for the Trees, or his book, The Mr. X Interviews, on Amazon. Is there anything else that you want to tell us?

Luke:
No that's it. www.Fftt-llc.com for information about our mass market and institutional products and like you said I'm on Twitter @lukegromen and that's it.

Ronnie:
Thank you, Luke. Niko, anything to add?

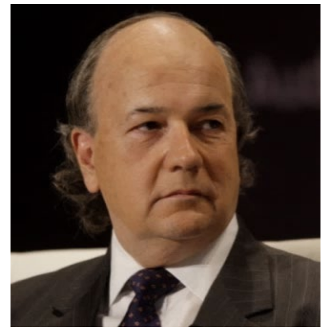
Niko:
Thank you for having me. Luke, it was a pleasure like always.

Ronnie:
Thank you and be well, see you soon.

Luke:
You too, bye!

Appendix: Permanent Members of our Advisory Board

James G. Rickards

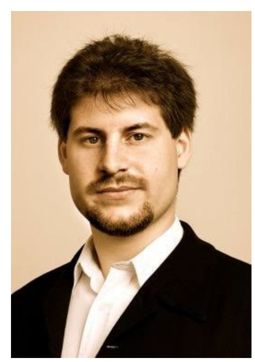


Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the *West Shore Fund*. During his career, Jim has held senior positions at *Citibank*, *Long Term Capital Management*, and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

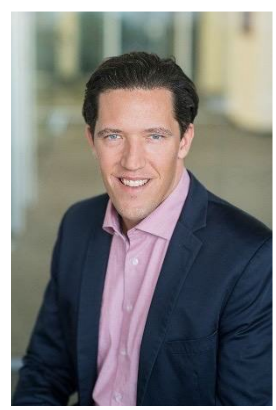
Ronni is partner of Incrementum AG and responsible for Research and Portfolio Management.

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. He is also 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.

www.incrementum.li

Cautionary note regarding forward-looking statements

THE INFORMATION CONTAINED IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED AND NO REPRESENTATION OR WARRANTY EXPRESSED OR IMPLIED IS MADE AS TO, AND NO RELIANCE SHOULD BE PLACED ON, THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS INFORMATION OR OPINIONS CONTAINED HEREIN.

CERTAIN STATEMENTS CONTAINED IN THIS DOCUMENT MAY BE STATEMENTS OF FUTURE EXPECTATIONS AND OTHER FORWARD-LOOKING STATEMENTS THAT ARE BASED ON MANAGEMENT'S CURRENT VIEWS AND ASSUMPTIONS AND INVOLVE KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS, PERFORMANCE OR EVENTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN SUCH STATEMENTS.

NONE OF INCREMENTUM AG OR ANY OF ITS AFFILIATES, ADVISORS OR REPRESENTATIVES SHALL HAVE ANY LIABILITY WHATSOEVER (IN NEGLIGENCE OR OTHERWISE) FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENT OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SHARES AND NEITHER IT NOR ANY PART OF IT SHALLFORM THE BASIS OF OR BE RELIED UPON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER.