Adrian Day
ADRIAN DAY ASSET MANAGEMENT

PORTFOLIO REVIEW

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Although nearly all markets and all asset classes were up in the year just ending, and by meaningful amounts, this masks the great rotation that is underway. U.S. equities are faltering and the Magnificent Seven beginning to roll over, while global markets outperformed the U.S., almost doubling its performance, for the first time since the Great Financial Crisis. Long underperforming commodity stocks came to life, beating the broad market, with gold and silver stocks multiplying the S&P's annual gain ninefold. Though the momentum may slow, we believe these trends will continue. Gold tends to move in long cycles, while the last time that international markets beat the U.S., the outperformance lasted seven years. Below, we discuss fundamental reasons why these trends will likely continue.

■ It was a strong year across the board

Virtually all markets and asset classes were up in the last quarter, capping a strong year, though in many areas momentum was slower towards the end of the year, while most markets and assets fell on the last day of the year.

For the quarter, European markets led with returns of 20% and even higher. For the year, they were mostly in the 30% level, though major Latin markets outdid even that. Indeed, among major markets, the broad U.S. market was a laggard, with the S&P up 2.6% for the quarter, against 5.4% for international markets (per MSCI World ex US) and under 18% for the year relative to 33% for non-U.S. markets. We discuss this divergence below.

■ Top year for gold and silver

Commodities had a good year, up just under 5% for the quarter and 11% for the year (basis Bloomberg Commodities Index). Note: the broad resource and commodities indices are commodity based, and not equity based. The precious metals were leaders, with gold up 12% for the quarter, 65% for the year. But gold was outshone by silver, up 54% for the quarter and 158% for the year. The gold and silver stocks demonstrated their leverage to gold, but could not match silver in the last quarter. The stocks (basis GDX) were up 13% in the quarter and 154% for the year.

Not surprisingly, all our account types performed well, in the quarter and for the year. (Numbers are preliminary; see disclosures next page.)

	4th Quarter	Year
Global conservative	6.6%	61.0%
Global growth	12.9%	95.5%
Global aggressive	10.8%	84.0%
Resource	11.0%	104.0%
Gold	12.7%	106.0%

Clearly, our global accounts well outperformed equity indices, and the dominant reason was our high exposure to gold and resource stocks, even in more conservative accounts. We also were underweight the U.S. and overweight such top-performing markets as Switzerland and the U.K.

■ Why did gold accounts underperform the index?

On the other hand, though our resource accounts outperformed the resource indices, our gold accounts underperformed the gold equity index. There are reasons for this. The index is 100% invested, which helps in a strong market, whereas accounts always have some cash, and new accounts are not immediately fully invested, so that cash acts as a drag. Second, the junior companies we hold as a group did not match the performance of the larger miners, though this was changing towards year end.

Our high allocation to the major royalty companies also did not help relative performance, though given their low-risk attributes, we do not apologize for using them as a foundation for all gold portfolios. Other than that, we were invested in some of the top performers and others not, but would simply say that if one returns 100%, there is no need to roll the dice for more. So while it is always nice to outperform the index, we are not disappointed by last year's returns and do not apologize for such lower-risk returns in a volatile sector.

Going forward, we expect our gold and resource allocations to boost returns in global accounts once again, as we continue to emphasize overseas markets over the U.S., while signs of life in the smaller gold stocks may see the relative gap close.

■ U.S. economy not as strong as reports suggest

Monetary policy remains loose in the face of a weakening K-shaped economy, where the bottom half are struggling. Again, though the headlines remain reasonably positive, the reality is not always so.

The unemployment rate at 4.6% seems reasonably low, but the rate has been climbing steadily from 3.5% in 2023. It is now the highest level in four years which was in the midst of covid; other than that, it's the highest since 2017. We have discussed before other dangerous undercurrents in the labor market that make the official headline numbers less encouraging, including the use of the narrow U-3 number rather than the formerly common but higher U-6 report; the increasing number of unemployed who have quit looking; the increasing numbers taking part-time jobs; and the high level of government jobs versus private sector jobs.

Consumer spending on the surface had a good year, with holiday spending a record, but not all spending is being paid for out of income. In addition to high credit card balances and increasing write offs from banks, there is the increased use of buy-now, pay-later schemes; people don't use these because they have the money in the bank. On Black Friday alone more than $1 billion in purchases was through these programs (more than $10 billion in last two months). For context, total Black Friday spending was under $12 billion.

No wonder consumer confidence has dropped, almost to the lows of covid and otherwise the worst in over a decade. The sentiment indicator, which asks respondents how they feel about their own personal situation rather than the economy as a whole, is the lowest it has been in over 60 years, equaling or exceeding the negative numbers at the depths of each recession back to the 1960s.

* Please note: **Past performance is no guarantee of future results.** For complete information on our past performance, including factors to be considered in viewing past performance and other disclosures, please contact our office. Specific stocks mentioned herein are intended solely as illustrative of strategies and types of stocks we are buying or selling, and are not intended as indicative of entire portfolios or of any individual client's portfolio. The numbers mentioned represent our composite averages. They represent all accounts that fall within the stated objectives which have the ability to buy and sell options; they exclude accounts under $25,000 and accounts with significant limitations or restrictions that would make them unrepresentative of the account type. Performance figures for composites reflect the deduction of administrative fees, but do not take into account any performance fee that may be charged for the period stated. The performance of any individual stock or stocks does not take into account fees. Performance numbers include dividends; dividends are not reinvested. Commissions charged may vary depending on the brokerage firm at which an individual account is held. All accounts are managed individually and are therefore different, even within the same broad objective. Factors such as an individual's circumstances, the size of the portfolio, and the time the account opened can affect specific buy and sell decisions. Factors such as price movements and security liquidity can affect whether any trade is made for all accounts. Global Strategic Management, an SEC-registered investment advisor, does business as Adrian Day Asset Management.

■ Inflation remains stubborn

The weakening economy comes amid stubborn inflation. The recent CPI numbers were seemingly positive, with "Core CPI" (for those who don't eat or heat their homes) falling from 3% year-on-year to 2.6% in the mid-December report (for November), leading initially to bullish headlines and a market rally. This is a huge drop considering 11 of the 12 months were identical in each report.

But not only is 2.6% still well above the Fed's own arbitrary target, the report was deeply flawed. Because some reports were not available due to the government shutdown, the government statisticians just assumed they were zero, rent and "owners' equivalent rent" being the most significant components thus priced. Government statistics, whether on the labor market or inflation, have long been increasingly detached from reality and questionable, but the latest CPI report was one step too far, even for many mainstream economists. Wrote the Wall Street Journal's Chief Economics Correspondent Nick Timiraos, not usually a harsh critic, "this is totally inexcusable; there's just no world in which that was a good idea."

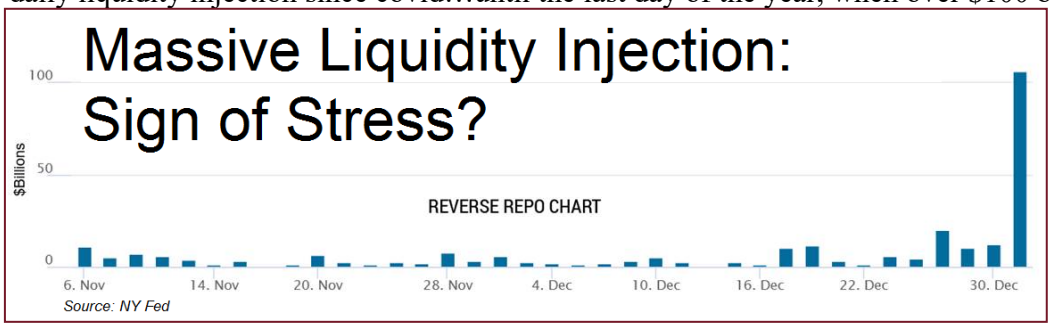
■ Fed introduces not-QE QE

A worsening economy caused the Federal Reserve to continue easing monetary policy with another rate cut, the sixth in this cycle, despite stubborn inflation (which chairman Jerome Powell seems to think is a one-off due to tariffs, or else that's the excuse to ignore inflation). But the Fed at its latest meeting did something more than cut rates again: it announced new Treasury purchases of $40 billion a month.

Powell and other Fed officials went out of their way to repeat that this was not QE. The Fed was buying "solely" to ensure the economy had sufficient liquidity; there was "no impact on monetary policy". Chicago Fed President Austan Goolsbee gave the ruse away by asserting that it's not QE "because *we don't intend it to be QE*." That made me think of things that walk like ducks and talk like ducks.

I wrote in earlier *Reviews* that I expected QE before the year was out. Today, it is relatively small and all the buying is at the short end. That can change. The program is scheduled to end in April, but it remains to be seen whether $40 billion a month will stay the cap and whether it will end operations in a few months.

Certainly, the Fed purchased Treasuries at the end of December like a drunken sailor, buying well over $160 billion in "reverse repo's" during the month, with $16 billion alone on December 29th, the second-largest daily liquidity injection since covid…until the last day of the year, when over $100 billion of liquidity was injected. To be sure, the reverse repo purchases are separate from the new Reserve Management Purchases program the Fed announced in mid-December. But both represent the Federal Reserve purchasing Treasuries and adding liquidity. The press dutifully reported that this was to "steady the markets over year end", but there is speculation that it could be tied to a major bank unable to meet margin calls on a large short silver position.

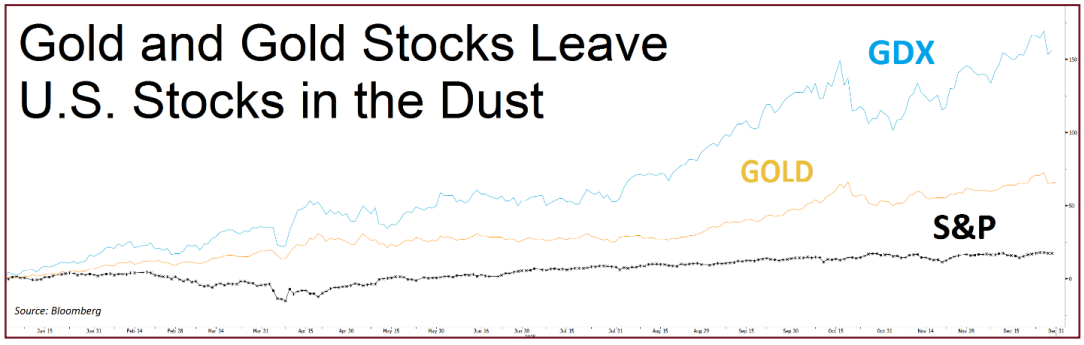


QE is wildly bullish for gold, even more so than lower interest rates, and the market's action since the Fed announcement bears that out.

■ Global rates cut in the face of sluggish growth

Global economies from Britain and Germany to Japan and China are generally lacklustre or worse, with manufacturing specifically weak pretty much everywhere. In China, retail sales are slowing amid rising inventories, and the Peoples Bank has been juicing the money supply at unprecedented levels (other than during covid).

Most central banks lowered rates over the past year (with Japan the notable exception), though some paused rate cuts at the end of the year, notably the European Central Bank. Japan, despite raising rates, saw a falling yen given the market is expecting more, and inflation remains high at 3%. Notwithstanding these rate cuts by central banks, longer-term bond yields remain unchanged or have even moved higher, including in the U.S., a clear sign of concern about the economic outlook by bond investors.



■ Dollar holdings fall again

The latest numbers show that foreign official holdings of U.S. treasuries have declined again, by $46 billion year-to date, after a sharp $25 billion drop in October. Official holdings of Treasuries are now around 13% of the total compared with 33% a decade ago. As more longer-term Treasuries mature, and are not reinvested, while Treasury issuance continues to increase, we expect these numbers to continue to decline.

This trend is mirrored in foreign central bank holdings of dollars, now just under 50% of all foreign reserves, as gold holdings continue to increase (around 23% in latest report). Again, we expect dollar holdings as a share of central bank reserves to continue to decline, though at a slower pace, while gold holdings increase. Though there are other factors, official foreign selling is a major reason to expect the dollar to continue to fall against other currencies, though we do not expect a collapse any time soon.

■ U.S. stock market losing lustre

The U.S. stock market remains the most overvalued, trading at extreme levels with very narrow breadth and increased insider selling. More than anything else, AI has been driving this recently, and is now the primary reason that foreign investors, particularly Asians, are continuing to pour money into the U.S. market.

In addition to foreign investors, the AI bubble has been driven by increased leverage. According to The Daily Chart Book (thanks Jesse Felder), margin debt increased 42% in the last seven months. According to Felder, "this only happened five times before, and the S&P 500 was lower one year later every time." The most recent cases were in 2000 and 2007, and we know how those ended. Bubbles are always inflated by leverage, perhaps almost by definition; this one is no exception. In addition, professional managers have taken cash down to 3.3%, a record low.

Markets can, of course, remain overvalued for long periods but there are increasing signs that a top may be close, none more so than the index price itself, which has failed to move meaningfully higher since October. We can never be sure how long a market will remain overvalued or when a bubble will burst, but given that prices can fall rapidly when a bubble bursts, it is prudent to plan to sell too early, rather than keep on

dancing, as Chuck Prince put it, so long as the music keeps playing. The stampede for the exit when the music stops of necessity means some don't make it in time.

■ Rotation out of U.S. leaders

We are also beginning to see the rotation we have discussed. Foreign markets and commodity stocks, in particular, outperformed the S&P this year and by wide margins. Value is undervalued as well, its cheapest relative to growth in more than 50 years. Small caps are also undervalued relative to large caps. Value stocks would need to compound at 20% per year more than growth stocks for five years to return to their long-term relative valuations.

Foreign markets outperformed the U.S. this year by almost two-to-one. We expect this outperformance to continue for a few years, as it usually does when foreign markets outperform by a wide margin. Even after that huge outperformance, international equities are still the cheapest they have been relative to the U.S. for 50 years. We expect international economies to grow faster than the U.S. in the year ahead, while a decline in the dollar leads many U.S. investors to look abroad.

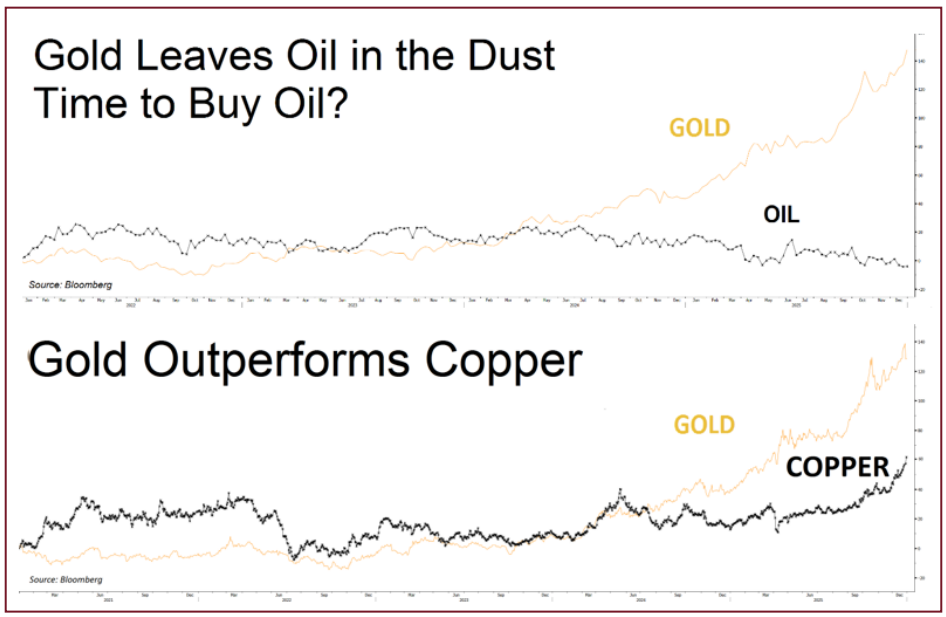
Now in particular, if AI stocks crack, then the outperformance will widen. The overvaluation in AI has certainly become extreme; Nvidia alone is larger than entire markets, including those of Canada and the U.K. That defies reason. The U.S. is the market with most AI companies and especially AI leaders, and it is the reason so much global money is still flowing into the U.S. stock market. Broader flows and passive flows into the U.S. have slowed considerably in the last 18 months or so. To return to long-term values relative to the U.S., international markets would have to triple (assuming the U.S. stays flat).

Certainly, the emphasis in portfolios should be on international markets, value and small cap stocks, as well sectors that have lagged.

■ Resources lead the market

Resources have been on a tear this year, with gold, silver, copper and more outperfoming not only the S&P but the Magnificent Seven market leaders. Yet despite this, the commodity sector, as well as the commodity equities, remain close to 100-year lows relative to the stock market. And the outlook is bright.

The traditional factors that can lead to higher resource prices—including significant underinvestment over a period—are certainly in place. So too is the likelihood of higher inflation and a lower dollar. But there is now something else. For the AI sector to be successful—and meet current goals—natural gas, uranium, copper, silver must all go up significantly.



The commodities are the gold miners' picks and shovels for the AI sector. Planned AI capex for this year and next is $2 trillion, with 850 data centers slated to be built in the U.S. over the next five years. Even if projections are cut in

half, there will still be a tremendous increase in demand for these commodities, and the inability of production to keep up will mean higher prices.

Gold and gold stocks will continue to perform well under almost any reasonably conceivable scenario. Gold also is more defensive than other commodities. But leadership is shifting, and other commodities are certainly better value today. Oil, copper, uranium could well provide stronger performance over a three-year horizon. But gold has the best risk-reward profile, and the bull market in gold is nowhere near over.

■ Gold continues to advance

All the reasons that gold has gone up over the past year and more are still in place. Central banks are diversifying away from a single asset, an asset of a profligate government which is not averse to weaponizing its dominance. If that is your motivation for selling dollars, how much is not too much? This narrative has existed for a quarter of a century. Then, the dollar was over 75% of all global foreign reserves. Five years ago, that number had declined to around 65%, despite the absolute increase in reserves over the time. Last year, it was around 57% and today is estimated at just under 50%. Is that still too much, given the motivation? As central banks sell dollars, they buy gold, the only major asset not someone else's liability.

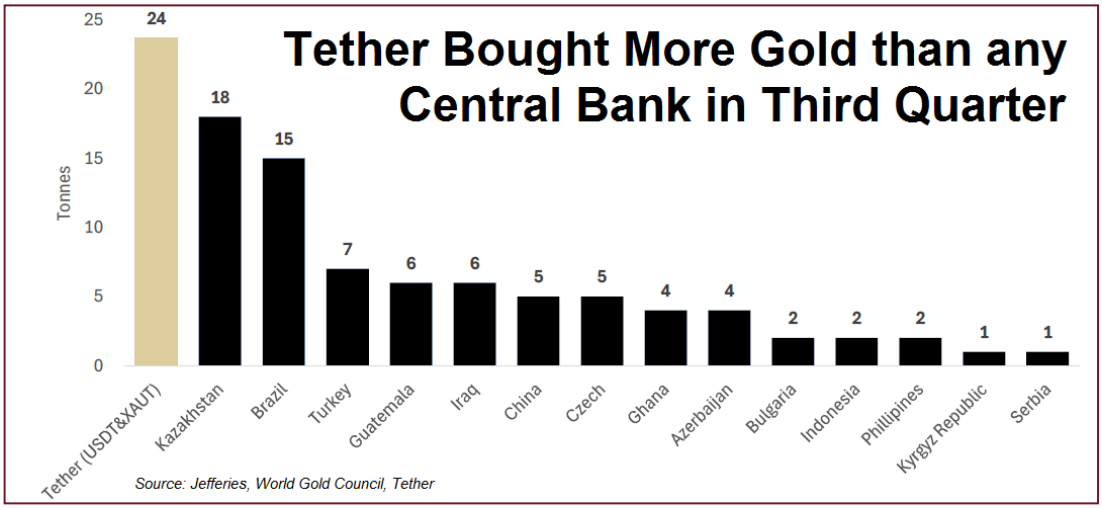
Recently, the more traditional economic factors that motivate western investors—weaker economies, lower interest rates, higher inflation, and a weaker dollar—are coming to the fore and bringing investors with them.

■ A new buyer on the block

And now a major new buyer has entered the market. Tether, the sponsor of the world's largest dollar stablecoin (crypto backed by dollars) also has a gold-backed stablecoin (Tethergold, with the symbol XAUT) that has been growing dramatically. From its launch in early 2020, XAUT has grown to over $2 billion in value today. As a consequence, Tether has become one of the largest buyers and holders of physical gold. Indeed, in the second and third quarters of this year, Tether purchased more gold than any individual central bank. Other gold stable coins are in the works, including one scheduled to launch shortly from Peter Schiff.

Tether, which has gold in its corporate reserves as well as backing for the XAUT, now holds around $20 billion in physical gold (according to Tether's Juan Sartori earlier this month), up from "just" $12.9 billion at the end of the third quarter.

Sartori said he expects USDT and XAUT to grow tenfold in the next few years as more people adopt crypto wallets just to buy these two stablecoins. The biggest challenge as the gold stablecoin grows will be having a secure source of gold supply to back it. This is why Tether has become involved in the royalty sector. Sartori commented that royalties present "the most incredible way of investing in long-term supply," with high margins and little risk.



This strategy explains why Tether, with its huge war chest, did not take a stake in one of the

large royalty companies; they trade at premiums, and Tether needs to buy sources of gold at or near to NAV. Hence, the junior royalties. Tether now controls Elemental Royalties, which recently acquired EMX, and has now disclosed reportable holdings in three other junior royalty companies. The possibility that it will move to take control of one or more of these and merge into Elemental, its vehicle for consolidating the junior royalty space, is very real. But for its strategy to work, it needs to do so without premiums getting too high.

Tether clearly has not ended its foray into gold. Even as its interests in juniors continue to increase, it has also hired two senior gold traders from HSBC, including the global head of metals trading. This suggests that Tether is not done buying gold. When asked how high the gold price might go, Sartori replied, "I don't want to give a number because I don't want you to think we are crazy," adding "we are very, very, very positive on gold, and equally negative on traditional currencies; this is just the beginning."

■ Silver: the sector leader

If gold has done well over the past year, silver has performed extraordinarily, up 148% for the year, even after the 15% drop this week. The bulk of this move occurred since mid-November, when silver hovered around the $50 mark. There is a disconnect between the physical and paper markets, with silver in backwardation on the London physical market, meaning that silver for immediate delivery is trading above the future delivery price. This is the reverse of the normal condition, and indicates a shortage of product, with buyers willing to pay a premium for immediate delivery. However, since the futures price is lower, it suggests also that the market believes the shortage will be resolved over time.

With this move, the gold/silver ratio has dropped to 60 (from 88 at the beginning of the year). Given the fundamental changes in the silver market over the past decades, in both demand and supply, I do not put much credence in the gold/silver ratio going back very far—at the 1980 highs, the ratio was an extreme under 6 times—but it is one indicator of how silver remains undervalued.

■ Why has silver moved?

Three broad factors have moved silver this year:

- The increased demand for industrial uses, including renewables (especially solar panels) and particularly for data centers.
- Structural supply constraints that prevent increased supply matching increased demand, leading to historically low inventories at all major exchanges, including the LBMA, COMEX, and Shanghai.
- Renewed investor interest, with purchases doubling from last year to about 140 million ounces, even as investor selling has diminished.

Many differences between gold and silver illustrate the physical issue. There are no large stockpiles of silver; not only are exchange inventories depleted, but neither central banks nor private banks hold large supplies that could be sold or leased, for example. Much of the silver used in industry cannot be recovered economically, so scrap is not halting the price advance. And on the supply side, since some three-quarters of global silver production is by-product, often small amounts from base-metals mines, there is little supply response to higher prices. This situation is almost the reverse of 40 years ago, when most silver came from primary mines. Higher prices, of course, will lead to increased exploration and development of silver mines, and make it easier to finance them. But the bulk of silver comes as a by-product, and the zinc miner in Peru is unlikely to build a new mine because the price of silver, representing less than 10% of his revenues, increases.

■ Silver stocks lag, while miners remain disciplined

Silver stocks have displayed interesting performance, dramatically outperforming in the first half of the year–-the Global X Silver Miners up over 51% compared with 25% for silver itself. But the situation

reversed in the last six months, with silver outperforming the stocks by almost 30%. This is likely because of the specific companies that make up the index. Wheaton, Pan American, Helca, OR Royalties and so on were rising in line with gold stocks *before* silver really took off. The purer silver stocks have lagged silver, though have picked up steam and generally outperformed gold stocks in the last months or so. As the silver price continues to move up, I suspect the silver stocks will exhibit some leverage, exactly what we saw with gold and gold stocks. Stocks such as those above do have some leverage to the price, but equally are more defensive should the silver rally stall.

Both gold and silver miners have exhibited fiscal discipline in the face of great revenue and strong free cash flow (given that major cost inputs, primarily energy, have remained low). Though there has been a pick up in M&A activity recently, it is generally rational and buyers are not overpaying. We have seen nothing like the rash of overpaying for marginal assets that was seen in 2011 and 2012. Instead, companies have been paying down debt, to where the sector is net-cash positive, as well as keeping a focus on cost control and increasing shareholder returns, whether dividends or share buybacks. Most major miners are using prices below $2,000 to measure reserves and value acquisitions, and this helps avoid the over-optimism that leads to poor capital allocation decisions in what is, after all, a cyclical business.

All in all, with the outlook for the metals positive, and the stocks fundamentally undervalued, the outlook for the miners is positive. Although the GDX, the largest gold miner ETF, saw a net $3 billion of *outflows* in 2025, the last couple of months saw increasing inflows, with $560 million in December. As retail and generalist investors are attracted to the space, we expect this trend to continue. We are now also seeing the smaller stocks begin to move, and, while the need to be selective is all-the-more essential, these stocks can exhibit even greater performance than we have already seen in the major miners.

Overall, we continue to be cautious on the U.S. market, particularly the larger companies, looking instead at value stocks, smaller companies, and particularly overseas markets. We are also looking at sectors that lagged the market over the past several years, and this includes the commodity stocks, notwithstanding their outperformance this year. We continue to hold high exposure to gold stocks, even as we increase exposure to other resources.

Review of Individual Accounts

■ Global Accounts

Contrary to our expectations, cash in global accounts fell sharply over the quarter, down to just over 2%, as we added to international equities and found some beaten-up year-end buys in the U.S. The latter are mostly shorter-term trades and we remain significantly underweight the U.S. market, with our top markets the U.K., Switzerland and Singapore.

In the U.S., we added four new companies in the food and consumer areas, all four beaten up after earnings warnings. In most cases, we sold puts with attractive premiums. Though these are solid companies with long-term potential, we shall likely hold only until they recover from their excessive sell offs. (Reminder, the SEC does not like us to name individual stocks, though other advisors seem to have no problem doing so. Such is one of the problems with the regulatory state, when an individual bureaucrat can interpret a rule one way for one advisor, while others interpret differently for other advisors.)

We also added three additional U.K. stocks, all consumer stocks severely beaten up on sales warnings. We think the market overreacted and none of these companies is at risk. We expect a near-term recovery from two of these, when we shall likely sell, while the third, a major drinks manufacturer with an almost 6% yield at our purchase price, may be a longer-term hold.

We also bought a high-yield tobacco company in Denmark, and finally two Argentine stocks ahead of the recent elections. We considered that the market had misread the significance of the local Buenos Aires election. The stocks have already rebounded nicely. Under President Milei, the country has already made incredible progress in reshaping public finances, stabilizing the peso, and ending widespread corruption. Now, with sufficient votes in Congress to uphold the President's vetoes, the administration will be able to advance more controversial measures and do so more quickly. We had no complete exits this past quarter.

Our allocation to gold and other resources has increased even as we have reduced positions in global accounts, given the extraordinary returns in the sector over the past 12 months. Resources offer one of the highest-potential sectors in the years ahead, while gold has both potential but also defensive, low-risk characteristics. We don't expect this overweighting to change in the foreseeable future.

Looking ahead, we expect cash in accounts to increase as we exit some of the year-end trades, but we continue to scout the globe for quality companies selling at reasonable prices that we can hold for a period of several years. These companies may be anywhere in any sector. It is a bottom-up approach, though macro points one where to look. As advisor Mark Cooper put it, "we are looking for a well-stocked pond to fish in." Despite years of stock market advances, one can still find undervalued companies. As discussed above, we fully intend to have an overweight allocation to gold and resources for the foreseeable future.

■ Gold Accounts

We continue the gradual shift in emphasis in gold accounts from senior miners to intermediates, with the allocation to senior companies (which includes the large royalties) declining to 27% of accounts, while intermediates increased to 4% and non-gold resources increased to 34% as we added silver companies, both miners and explorers. The junior and exploration allocation stayed steady at about 32%. Accounts are now for the most part fully invested; cash is just under 3%, much of this from new accounts.

This quarter, we exited an exploration company that has failed to make meaningful progress while the stock price fell. We also trimmed holdings in a company whose stock we acquired when it purchased one of our holdings. To be clear, we like the acquiring company; we are simply right-sizing positions on rallies.

There have been several new additions, including one major global miner with an exciting project in Nevada as well as an exploration company, revitalizing an old mine in Nevada; we expect to hold both for a long period. We also purchased shares in a new gold royalty company, though the shares moved away from us before we could complete our buying. We stand ready to buy if the shares correct.

Buy a mine, see stock go up!

Much of our buying this past quarter has been in intermediate miners, both new positions and adding to existing ones. One theme is companies acquiring mines from the majors. While non-core to the seniors, these mines have typically been profitable even if somewhat neglected. In the hands of new owners, these mines have the potential to extend life and reduce costs. In several high-profile cases over the past year, the shares of the acquiring companies have performed very well, in most cases by several hundred percent. There is no guarantee that this will happen to future transactions; arguably the better mines being sold have already been acquired. But we are looking closely at future possible transactions, and have a couple on our watch list now, one a public company and one a still-private company.

In the quarter just passed, we purchased one such, a new company that acquired a storied Ontario mine; and added meaningfully to another. We also added to a company that had stumbled in building a major new mine, taking on debt and disappointing the market. A new CEO and an acquisition changed the outlook around and we bought heavily, even buying back shares we had previously sold. We expect to hold this company as it grows for several years.

Looking ahead, we expect to continue to move the focus down the food chain to smaller companies, while continuing to hold core positions in the larger miners and royalty companies. There is always more trading among junior companies, and we will exit those that fail to deliver. We expect to remain fully invested.

■ Resource Accounts

Resource accounts are also fully invested, with gold, copper, and silver our largest exposures, while we are building positions in oil & gas and adding to uranium. As discussed above, the gold stocks have moved so far that other areas now represent better value. While fully maintaining exposure to gold, we are reducing in that sector for resource accounts and adding to other resources and commodities.

Senior gold companies still represent over a quarter of accounts—and there is more among the intermediate and juniors—but many gold companies have exposure to other commodities, as we have discussed before: Barrick is over 20% copper, Franco 20% oil & gas, and so on.

We are exiting one junior that has failed to deliver in a hot market, but most sales are simply trimming positions that have become too large for an individual account. Although we are adding to our favorites across the board on any opportunities, we have three new buys this quarter. One is a copper royalty company, from top management that has been successful in the past; we held this as a private company for certain clients (those interested in private companies) until it went public. We also purchased a junior U.S. base metal explorer; and a major Canadian oil producer.

Going forward, we expect gold to remain a foundation of resource companies, not only for its further potential but also because gold has characteristics that enable it to do well in scenarios where the broader resource sector may falter. But, as discussed, we will realize some gains in order to increase exposure to sectors that have not moved as much and have tremendous potential in the next year or two. These include copper, uranium, and oil & gas. We expect to remain fully invested.

In sum, we continue to be very underweight the U.S. equity market as we build positions in international markets. Though we expect foreign markets to outperform the U.S. again for the next few years, valuations in major global markets are not at bargain levels, and our buying is bottom-up. The resource sector is an area where we are buying, adding to already overweight positions. We also continue to be on the look out for shorter-term special situations that may include selling puts to generate income. Although cash may increase in the next quarter, we will remain reasonably fully invested, with sufficient cash on the sidelines to take advantage of new opportunities.

-Adrian Day, December 31st, 2025

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