Adrian Day
ADRIAN DAY ASSET MANAGEMENT

PORTFOLIO REVIEW

PO Box 9024106, San Juan, PR 00902-4106 • 410.224.2037 First Quarter April 2026

The war has changed everything. Not only the geopolitical landscape, but the economic outlook and the markets are distinctly different than they were a short month ago. Oil firmly over $100/bbl, up from $60, has changed the outlook for both consumer prices and for the threat of recession. Gold has dropped from an-almost record in its largest decline in 20 years, while the U.S. stock market had its first meaningful decline in a year, and most global markets have given back much if not all of their earlier gains. The dollar reversed its downward trajectory and gained a safe-haven premium. In this fast-moving environment, with possible outcomes across the spectrum, it is difficult to analyze without risking being out-of-date by the time it is read, impossible to make sensible predictions. But sound investment advice is not based on predictions, but rather on an assessment of risk and reward from a starting point, all tailored for one's individual circumstances and risk tolerance.

■ Mixed results in first quarter after weak March

Equity markets produced mixed results for the quarter, in most cases giving back in March most of their earlier gains. U.S. stocks continued to underperform, with the S&P losing 4.4% while international markets (per MSCI World ex-US Index) fell just 1.2%. Latin America and Asia were stronger than Europe, where almost all markets fell (all except the U.K.). Although most foreign markets ended the quarter in the red, only France and Germany, among major markets, fell by more than did the U.S. Thus, even in a down period, foreign markets continued their outperformance of the U.S. which started last year and we think will likely continue for at least the next five years.

■ Resources strong

The resources were mostly positive, with the index up over 23% (per Bloomberg Commodity Index). Oil led the pack, of course, with WTI up 72% for the quarter and though nearly all commodities were positive on the quarter, most had modest returns, with the precious metals among the better performers. Gold rose over 8% on the quarter and silver nearly 5%, both, as with most resources and indeed the equity markets, after declining sharply in March. The gold stocks (per GDX) were up 7% for the quarter, again lagging bullion after falling far more than gold itself during March.

■ Our accounts outperform, helped again by gold

Our global accounts were all up, with the mid-risk "growth" accounts up 7.3%, conservative accounts a little more, aggressive ones a little less.* (Numbers are preliminary.) The reasons for this wide outperformance were two-fold: our large weighting to gold and resources, which outperformed for the quarter; and our market and sector exposure among, with little in the U.S., and nothing in tech, France or Germany, and higher weightings to the U.K. and Singapore, two markets that had positive returns for the quarter.

Our resource accounts were up 7.3% and our gold accounts over 10%.* The underperformance of the resource accounts relative to the index is entirely due to an underexposure to oil, while the gold accounts outperformed largely due to stock selection. Six of our seven largest holdings (all holdings over 5%)

appreciated by more, and in some cases far more, than the index. In addition, many of the junior and exploration stocks began to do well, often with outsized gains.

The war is determinant

Looking forward, so much is uncertain and depends on the extent and duration of the war and its effects, primarily the oil price. Virtually every market and asset class was down in March–other than oil and oil stocks–so a continuation of the war would likely be negative for markets, and a deterioration could be catastrophic. The higher oil price and its effect on consumer prices gives central banks a reason to pause cutting rates and to put policy on hold. If the war ends soon, then we expect a continuation of the trends in place before it started: easier money as the economy continues to slow; rotation out of the big U.S. tech stocks into overseas markets, value and defensive stocks; outperformance by overseas stock markets over the U.S.; and gold and other resources continuing to appreciate as the dollar loses favor.

Since we cannot be certain of the extent, depth and duration of the war, we need to look at all possible outcomes and attempt to protect ourselves whatever occurs. The extreme negative case goes well beyond weakening economies because of a higher oil price. In this scenario, we could see critical infrastructure (including essential desalination plants) destroyed while the Strait of Hormuz remains blocked or restricted, limiting not only oil shipments but also shipments of potash, nitrogen, and essential fertilizer ingredients.

It is not only supply-line disruptions, but production itself: the Gulf is a critical producer of nitrogen, phosphates and sulfur, all essential inputs in global fertilizer production. Shortages are also affecting the second planting season in Australia as well as the primary planting season in much of the Northern Hemisphere. An extended period of shortages, not simply higher prices, will have a critical impact months from now when crops are picked.

This would affect different regions differently, of course. North America is less at risk. There is domestic natural gas, nitrogen, and potash production (the last from Canada). But to say it is less at risk does not mean it has no risk. It is exposed to higher prices, of course, as well as some risk of input disruptions, and this just in time for the spring planting season. Higher prices will affect fertilizer application and ultimately crop yields and prices. In the aftermath of the Russian invasion of Ukraine, recall, agricultural prices like wheat, corn and soybeans rose from 25% to 75%, thence affecting the store prices of many food products.

The 1974 oil embargo analog

A bad case might be an analog of the 1974-1975 oil embargo, which led to the worst recession since the 1930s, and saw 35% decline in the stock market as well as a 43% drop in the gold price. It ultimately sparked the inflation of the late ’70s accompanied by a better-than 700% rise in the gold price and even more for gold stocks, but there were almost two years of pain to go through first. Some 20% of global oil production passes through the Strait, and that includes production consumed domestically, so it is clearly very significant for countries that are net importers. If all strategic reserves of oil around the world were fully released, it would give a little more than two months’ relief. So again the question of how long the war lasts becomes

* 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.

dominant, as well as who is winning. The oil shock when Iraq invaded Kuwait in 1990 sent the oil price soaring, provoking a recession in the U.S. and elsewhere. It was only after Stormin' Norman Schwarzkopf swept through Iraq in Desert Storm than the oil price fell and the recession ended.

Again, North America would feel less impact today than in 1974 and less than much of the rest of the world. The U.S. today supplies its own oil needs whereas in 1974 it was highly dependent on Middle Eastern oil. (Yes, the U.S. imports some of its oil, most of it from Canada, but could divert its exports to domestic consumption.) Despite this, of course, the U.S. economy would still be hurt if the rest of the world suffers.

In a somewhat less bad case, we could see the economy weaken but not so much that it causes the Federal Reserve and other central banks to pivot from their current focus on higher prices caused by the oil spike. This would be a headwind for both equity and resource prices, though one that could be offset by other factors.

■ How we are reacting to this uncertain outlook

In short, it's an uncertain and highly dynamic near-term outlook for, not only the economy, but markets as well. This is generally a good time to be defensive and wait for things to become clearer rather than act the hero. Although the stock market has dropped since the war started, I would argue that the risk is still not being fully priced in.

In addition, much depends on an individual's existing portfolio, financial circumstances and tolerance for risk. For an older, more conservative investor, we are looking for opportunities to sell across the board, particularly in assets with a higher risk. For an individual with low exposure to gold and other resources (other than oil stocks), or low exposure to global markets, we are looking to take advantage of current prices to add, particularly in assets with a lower risk profile.

■ U.S. Economy Weaker than thought

Even if these risks to the U.S. economy were to go away overnight, the economy is still not as strong as headline reports suggest, with a significant portion of the population already struggling. There is much discussion of the "K" shaped recovery, but my friend Brent Johnson of Santiago Capital says a better letter to describe the economy is a little "i" with a long stem and a little dot (the 2%) at top.

As discussed before, the employment picture, where last year saw a net loss of full-time private sector jobs, after multiple revisions, is not as strong as the unemployment rate would suggest. The latest jobs report, described as "blowout" by Bloomberg, showed indeed a larger-than-expected number of new jobs created in March. But over 40% of these were in healthcare, most a rebound after the Kaiser strike.

The retail picture, where credit card defaults are at levels last seen in the aftermath of the Great Financial Crisis and the use of buy-now, pay-later programs has risen dramatically, is not as healthy as sales would suggest. Walmart's CEO John Furner recently said that the majority of Walmart's share gains come from householders earning more than $100,000, not its traditional customer. "For households earning below $50,000, we continue to see that wallets are stretched."

At the same time, inflation (as measured by price indices) is steadily increasing. It remains stubbornly above the Fed's own arbitrary 2% target, and well above levels pre the covid shutdowns. Fed chairman Jerome Powell knows better than to use the word "transitory" again, but his repeated blaming of tariffs for keeping inflation up and his repeated assertions that it will come down are saying the same thing. But how long can you say "oh, it's the war", "oh, it's tariffs", "oh, it's covid" before inflation is no longer transitory?

Based on Powell's last press conference, the latest Fed "dot plot" (where members give their forecasts of economic factors), and the minutes of the last Open Market Committee meeting, it is clear that most Fed members, although they see both risks, are now more concerned about the inflation risk than any risks to the economy. Thus the dot plot forecasting only one rate cut this year, and, more significantly, only one next year. Contrary to the common perception, President Trump has only one man firmly in his camp on the Open Market Committee, two once Warsh has been confirmed. Powell has said he is staying on until that occurs and the DOJ criminal investigation has been resolved. It will be a while before Trump controls the Fed.

■ The Fed will ease when employment worsens

I suspect strongly that when the economy starts to deteriorate noticeably, particularly any deterioration in employment, the Fed will quickly pivot towards easier money. This may be an acceleration in the pace of rate cuts, or it could be larger QE for longer. Recall the "not QE QE" introduced in December, at $40 billion a month, is scheduled to expire this month. It may. But as the Private Credit market continues to blow up, how long before one or more banks or a large private equity firm gets into difficulties and the Fed sees the need to pump in more liquidity? It could be sooner rather than later.

■ Global central banks hawkish for now

It is not only the Federal Reserve, but central banks around the world, including the Bank of Canada, the Bank of England, the European Central Bank, and the Bank of Japan that have sounded suddenly hawkish, noting the threat to inflation from higher oil prices. The ECB says the period of lowering rates is over. The BoE is discussing raising rates. But see economies weaken, and they will reverse course rapidly.

Since the conflict begun, the dollar has rallied on safe-haven considerations, moving higher when it appears that the U.S. is gaining ground. If the conflict ends with the U.S. aims achieved and its military might apparent, that might delay the long-term move away from the dollar. In particular, the Gulf states and Saudi Arabia would probably return to a closer relationship with the U.S. On the other hand, a long, drawn-out conflict, particularly with heavy casualties on the U.S. side, and a perception that U.S. military power is not overwhelming—think Vietnam and Afghanistan—could hasten the move away from U.S. protection, U.S. global dominance, and the dollar. In this regard, the downing of an F-15 plane with its crew missing, could turn into another disastrous hostage situation.

Even in the first scenario, however, I posit that it would only delay and perhaps soften the move away from the dollar. Remember, that move is because of a concentration in a single asset, an asset of a fiscally profligate government, and one willing to weaponize its dominance. With the U.S. dollar still almost 50% of all central bank foreign reserves; the budget deficits continuing to widen with no serious attempt to rein in spending; and President Trump's threats to allies who did not support the war effort, none of the rational for reducing dollar exposure has changed.

■ Stocks down, but in the U.S. remain expensive

Stocks fell sharply in March, after the onset of the Iran bombing, with most ending the quarter in the red. The U.S., just 6% from its all-time high, remains the most expensive market in the world, trading at 24 times earnings and over five times book, with a miniscule 1.2% yield. There is a range of possible outcomes for the war, in terms of extent and time, but the market is fully not pricing in the risk at this point. This is shown clearly by the lack of movement in the volatility index which one might expect to be soaring.

However, while recognizing the risk, we should avoid always assuming the worst for markets. Market analyst James Stack studied the U.S. market's reaction to military conflicts going back to the World War II, and in only four cases out of 14 was the U.S. market down both one month and 12 months after the conflict began. Two of these were in WWII (the Nazi invasion of France and Pearl Harbor), the others being the Yom Kippur war and 9/11. (In the last case, the market was up after three and six months but down at the

bookends of the year.) In many, the indexes fell for one or two months but recovered within the year, and of course there are always other factors influencing the market. I don't think the S&P was negative one year after the Russian invasion of Ukraine because of, certainly not solely because of, that event.

Stack concludes that the impact on U.S. stocks of military conflicts has mostly been "transient". It is more-often-than-not a mistake for investors to sell when the front pages blare the headlines and the market is already down (just as usually an error to jump on board after stocks have already moved in reaction to what everyone already knows).

■ A top is here for the U.S. market, independent of Iran

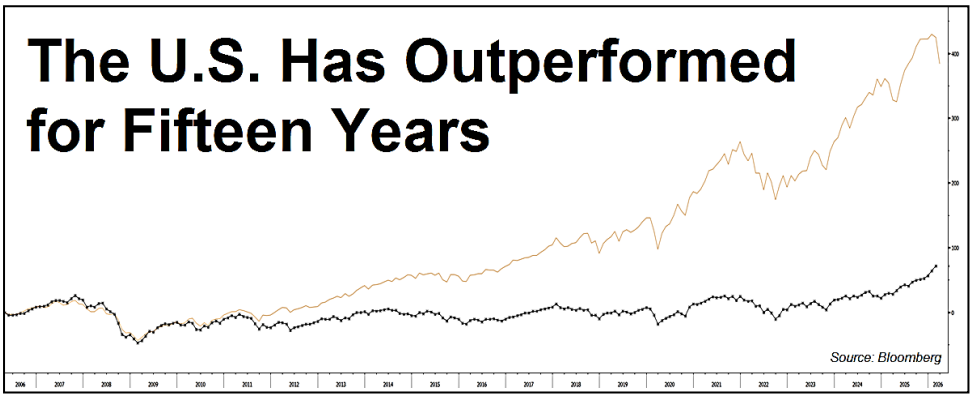
Even without the war risks, the U.S. market is expensive. Signs of a top abound, the most obvious of which is extreme valuation. By most measures the market is more expensive today than it was in 2022, 2008, 2000 and even 1929. There are many illustrations we could provide of this, price to earnings, price to sale, price to book, the Schiller CAPE ratio and more. This is fact, not conjecture.

Of course, markets can stay overvalued for long periods, as indeed has this one, but there are signs that the "end is nigh". Market concentration is at records (the gap between the index and an equal-weighted index, for example, has just started to come off its all-time extremes). Market speculation is extreme, with margin up over 40% in the last year, record retail participation, and new speculative vehicles (such as 3x ETFs, and one-day options) created to feed the appetite. Investor David Snyder has a list of 27 "boxes to check for near end of secular bull market" and he says that now all 27 are checked. Simply the length of this bull market should give pause.

Market action is also signaling something is up, with the S&P index only barely etching out a new high this year, with leader Nvidia down meaningfully over this period. One by one, the Mag Seven have been topping. There is an old saying that a market bottom may be an event, but a top is a process. We are experiencing that process unfolding now.

■ Rotation out of big tech is firmly underway

Big tech continues to dominate, though it has gone nowhere for six months now, and is clearly rolling over. The Mag 7, which contributed 63% of the S&P's performance in 2023, accounted for "only" 43% last year. For all global markets (per MSCI World Index), whereas less than 30% of individual companies outperformed the index in 2024, last year it was over 40% and projections are for that percentage to rise to 55% this year (FactSet). The rotation that I have discussed for months is clearly underway, from growth to value, from aggressive to defensive, from large cap to small cap, and most of all out of the U.S. into global markets.



Although most markets are down for the quarter, only two major markets, France and Germany, are down more than the S&P (and only Germany worse than the Nasdaq). Several ended the quarter in the green.

As we have discussed, the relative performance of the U.S. versus the international markets stood at its widest diversion ever a year ago. Last year, however, the international markets almost doubled the return on

the S&P and this year that relative outperformance is continuing, yet they remain at their cheapest relative to the U.S. than they have been for 50 years (other than last year). Since the end of the Second World War, foreign markets have outperformed the U.S. virtually the same amount of time that the reverse has been true, and the periods of out- and underperformance tend to be long. So after 15 years of U.S. dominance, we expect a period of several years when foreign markets outperform the U.S. Note, please, that this means neither that the U.S. markets will fall nor that international markets will appreciate (though that is likely), only that foreign markets will likely outperform.

It would be highly unusual for foreign markets to outperform the U.S. by only one year. To return to long-term values relative to the U.S., international markets would have to triple (assuming the U.S. stays flat). And foreign equities are getting help from economic fundamentals, with many foreign economies growing faster than the U.S., while a decline in the dollar leads many U.S. investors to look abroad, as well as driving the exodus of foreign investors out of the U.S.

■ Fishing in well-stocked ponds

In global markets, we are taking a bottom-up approach, looking for quality companies with strong prospects at good prices in any sector and wherever they may be. This is as opposed to a top-down approach, where an investor might say, for example, that he likes Singapore and then looks for stocks to buy in that market. However, to quote Warren Buffet, we like to fish in well-stock ponds, so we look where we are more likely to find bargains.

Right now, this includes the U.K., Singapore, Hong Kong and Brazil. All these markets had significantly lagged the U.S. until last year (or 2024 in the case of Brazil). Until last year, the British market had essentially gone nowhere for 20 years, and many global value investors as well as private equity firms are taking major stakes. The disastrous economic and political condition of the country is of less concern if one is buying an exporter, and indeed is one reason that stocks remain undervalued. Hong Kong stocks had actually underperformed the U.K. since the Great Financial Crisis. There is a well-known and solid reason for this (China), but there are many quality companies at very low valuations. Brazil's market is likely to be highly volatile in the run-up to the presidential election in October, giving us opportunities to buy. And Singapore is an efficient country with a sound monetary policy, that lagged for years until 2024, but still has good values in the market.

Foreign Markets are Better Value

	P/E	P/Book	Yield
S&P	22.8x	5.0x	1.3%
U.K.	15.0x	2.3x	3.1%
Brazil	12.9x	1.7x	6.0%
Mexico	15.6x	2.4x	4.1%
Hong Kong	12.0x	1.2x	3.1%
Singapore	16.6x	1.8x	4.4%

Source: Bloomberg

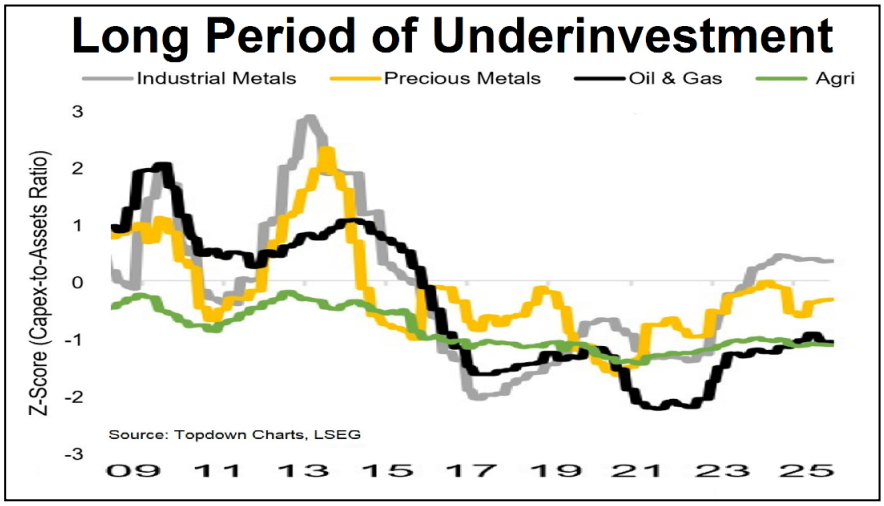
■ Value and small cap are in the fore again

Other sectors of the market remain at extreme levels of relative undervaluation: value is at its cheapest relative to growth in more than 50 years. 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. Small cap is outperforming the broad market (with the Russell 2000 still positive for the year). The war does not change that relative performance outlook: smaller caps typically have a larger domestic base of customers (and, as we have indicated, the U.S. economy will be less affected than many others), while they tend to outperform in inflationary periods as well.

So as the leaders of the long U.S. bull market roll over, the emphasis should be on value and small-cap stocks, on sectors that have lagged, but most of all on international markets and commodity stocks.

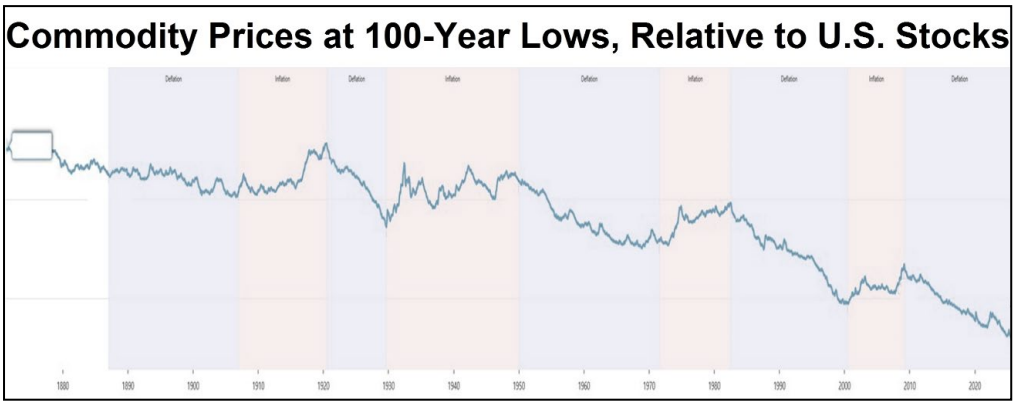
■ Commodities remain very undervalued

Notwithstanding recent rallies, most commodities remain well below even their nominal highs. It is important to grasp that resources moves by capital investment cycles and not economic cycles. And the length of time to bring new projects into production helps explain why resource cycles are so long and also so volatile.



Many commodities, including even oil, need to have multi-fold returns from here just to return to normal valuations relative to stocks. So the commodities have a long way to go before we are at a meaningful long-term top.

In the last quarter, the commodity indices were all up, led by oil. Whereas the oil price was reasonably flat until the bombing started, other resources mostly lost ground in March. Oil has been the most hated asset out there, with predictions of the end of fossil fuels and many investment funds shunning oil companies. Thus many companies, instead of boosting capital investment, bought back stock and increased dividends instead. Ironically, this made the shares more attractive and they started moving up in December well ahead of the Iran conflict. With the oil price spiking, we now see the near-term risk-reward tilted towards risk, and have been trimming positions. If the war ends and the Strait is reopened, one could expect an immediate drop in the oil price, if not back to $60/bbl, perhaps to $80 to $85. Such a sharp drop would see the oil stocks fall, and that might give us another opportunity to buy. Make no mistake, on a long-term basis, oil is the most undervalued resource, other than perhaps coal.



But pretty much all commodities are undervalued. At the onset of last year, both commodities and commodity equities were at their lowest levels relative to financial assets in more than a century. One year does not wipe out that disparity.

■ Why did gold not respond to the war?

The big surprise for many investors has been the lack of response exhibited by gold, a supposed sale-haven asset, to the war. We sent a special report on this to clients in early March. Now we can add to that with the disclosure that Turkey sold almost 120 tons of gold in the first half of March to defend its currency. To put that number in perspective, total central bank buying for all of 2025 was around 860 tons, so 120 tons sold over such a short period is significant.

Once the war ends, monetary factors will come to the fore, and though, as we have discussed, there is currently a hawkish tone to central bank pronouncements, we do not expect that to persist, not if the

economy deteriorates, and not if there is a liquidity event driven by private equity. Moreover, the reasons banks and others have been selling the dollar and buying gold, which we discuss above, remain in place and we expect both trends to continue, albeit at a somewhat slower pace.

■ Gold miners remain undervalued on an historical basis

The gold stocks meanwhile remain undervalued on an historical basis. Agnico Eagle, for example, is selling at its lowest price-to-free cash flow (my favorite metric for miners), other than last year, for the last five years, and far closer to its long-term lows than even its average valuations multiples. The miners have been in a sweet spot for the last few years with the price of gold moving up far faster than costs, meaning margins and cash flows have expanded dramatically. Since energy is the largest single cost input for mining operations, a higher oil price will clearly have a negative impact on costs. And it is not only on energy costs, but higher oil prices will begin to affect everything else, from transportation to food.

Diesel is the largest cost input for operating mines, so though the impact on gold mines is generally less than on copper or iron ore mines, it will cause costs to increase.

■ How significant is the price rise for miners' costs?

A study from BMO concluded that costs for gold miners would increase by about 2% for every $10 move in the oil price. So a move from $60 to $110, for example, such as we have seen over the past month, would increase costs by around 11%. Mines in the Americas and in Africa have historically been less sensitive to the oil price than to those located elsewhere, and open pit less than underground, while there are individual factors affecting different mines. And this is before miners took any remedial action, which they would if the price remained high for an extended period.

In addition, some companies have hedged their diesel; Agnico, for example, has hedged a little over half of its 2026 estimated exposure at an average of $0.69 per litre. The cost of diesel has jumped about 100% since late February to the current spot in excess of $1.40 per litre.

So while a higher oil price unquestionably is a negative for gold mining companies, their costs and their margins, the impact is manageable. Again for Agnico, with All-In Sustaining costs of $1,339, and the gold price at $4,500, there is room for costs to increase and the company to continue to generate margins well above its historical norm, and continue to be wildly profitable.

The current disconnect between market perception and reality means that this is a great opportunity to add to gold stocks at attractive valuations.

All in all, the outlook for gold and other resources remains very positive on a multi-year basis. If gold has the best risk-reward profile, others are certainly now more undervalued, given gold's dramatic outperformance over the past year or two. Despite the positive outlook for the metals and attractive valuations for the miners, the generalist investor has still not moved into this space. The GDX, the largest miner ETF, continues to see net outflows. From a contrarian viewpoint, this is intriguing. When the generalist starts to see the S&P losing value for one, two, or three months, he will start to look at other opportunities.

Overall, we think a cautious approach right now is warranted, but equally it is not the time to panic and sell gratuitously. Though we want to continue to reduce exposure to the U.S. markets, we are finding good values in many diverse global markets and diverse sectors, and good value in the gold and resource stocks.

Review of Individual Accounts

Global Accounts

Our global accounts are essentially fully invested, after we have been buying some depressed international equities. We have been adding in particular to the U.K., both increasing positions in companies we already hold and adding two new companies, a fund manager and a pub brand.

At the end of last year, we bought some beaten-up U.S. stocks, mostly defensive household goods companies, intending to hold for only short periods as the companies recovered from depressed earnings. We have been reducing these and have essentially exited one. The results, to be honest, have been mixed.

We have also exited one Swiss company, hurt by higher cocoa prices, and also exited one of our Business Development Companies, after a strong, and in my view unwarranted rally. This company has not been earning its dividend recently, so it seemed a good time to exit. We may be back.

In addition to the depressed international equities, we have also been topping up gold and resource stocks in our global accounts.

Looking ahead, we expect cash levels to increase in coming months, as we exit more of the recently acquired U.S. stocks as well as trim some of the gold stocks on the recovery we are expecting. But we will continue to hold a high exposure to both gold and resources generally, even as we continue to accumulate positions in quality companies at low valuations across many sectors and markets.

Gold Accounts

We continue the slow switch in emphasis from the senior companies to intermediates and juniors, with another two percentage point decline in the senior allocation, to 25%, and modest increases in both intermediates and juniors. We remain fully invested.

There were very few broad changes in accounts over the past quarter. We have been selling significant amounts of one major miner which has higher risk to a long Iran war, although also adding incrementally to others, less exposed to the war and higher oil prices.

We added one new intermediate company, another case of a smaller company buying a cast-off mine from a major. As we discussed last time, the added focus that a smaller company can give often pays off handsomely.

On the decline, we have been adding to just a handful of our favorite companies, emphasizing those with stronger balance sheet and lower-risk businesses. Though there are now many solid companies at good prices, we want to focus on the very best at this point. We have also added a couple of new exploration stocks in small amounts. Since these are thinly traded, we are unable to buy for all clients at once so are building positions methodically.

Looking ahead, we expect to continue to be fully invested and continue the slow reduction in exposure to seniors as we build up exposure to the intermediate producers. Where we added significantly to holdings, we may trim on rallies to maintain our target allocations and to raise cash for new buys.

Resource Accounts

Resource accounts continue to be fully invested; a small increase in cash is due to both new accounts not yet fully invested and some recent sales. Although senior gold companies, both miners and royalties, remain our largest exposure, it fell from over 25% to 21%, mostly on sales. Other than gold, copper and silver continue to be our largest exposures.

As discussed above, we reduced exposure to oil and gas in the past month, after the sharp rallies on the war-induced higher oil price. This takes our exposure back to where it was six months ago. On the end to the war, we would expect the stocks to fall back to attractive buying levels again.

Other than that, most of our selling was of small companies and idiosyncratic, a silver miner that fell on a security issue; a junior that had notably failed to generate excitement suddenly spiking; and a company that had achieved our target.

On the buy side, we increased positions in the new copper royalty company we discussed last issue when it went public, and, as with gold, we added to a narrow group of favorites on declines.

Going forward, we expect to remain fully invested, slowly building up positions in uranium, zinc, and copper as we trim gold given the outperformance of gold and silver. However, gold will remain the foundation of our resource accounts for some time to come, given its better risk-reward profile than most other resources, as well as strong potential in its own right.

In sum, we continue to be underweight the U.S. market, continuing the shift into international markets. Especially after the declines in the last month, we are not finding a shortage of good quality companies, with strong prospects, selling at low valuations. We are also adding to both gold and other resources. We would expect cash levels to pick up, but not significantly, given the good values to be found in many markets and asset classes.

-Adrian Day, San Juan, April 3rd, 2025

Disclosure: Adrian Day Asset Management ("ADAM") is an SEC-registered investment adviser located in San Juan, Puerto Rico. ADAM and its representatives are in compliance with the current filing requirements imposed upon SEC-registered investment advisers by those states in which ADAM maintains clients. ADAM may only transact business in those states in which it is registered or qualifies for an exemption or exclusion from registration requirements. (Note: Global Strategic Management, our legal name, is registered, or qualified to accept clients from all states and territories, including the District of Columbia.) A direct communication by ADAM with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of ADAM, please contact the SEC or the state securities regulators for those states in which ADAM maintains a notice filing. A copy of ADAM's current written disclosure statement discussing ADAM's business operations, services, and fees is available from ADAM upon written request. (Note, all clients receive this document prior to opening and account and are offered it annually.) ADAM does not make any representations or warranties as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party and takes no responsibility therefore. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly. Past performance may not be indicative of future results. Therefore, there can be no assurance (and no current or prospective client should assume) that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by ADAM) made reference to directly or indirectly by ADAM will (i) be suitable or profitable for a client or prospective client's investment portfolio or (ii) equal the corresponding indicated historical performance level(s). Different types of investments involve varying degrees of risk. Historical performance results for investment indices and/or categories generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, or the impact of taxes. (Note, any performance number provided for Adrian Day Asset Management accounts is after the deduction of all transaction costs and fees.) The material contained herein is provided for informational purposes only and does not constitute an offer to buy or sell or a solicitation of an offer to buy or sell any option or any other security or other financial instruments. Certain content provided herein may contain a discussion of, and/or provide access to, ADAM's positions and/or recommendations as of a specific prior date. Due to various factors, including changing market conditions, such discussion may no longer be reflective of current position(s) and/or recommendation(s). Moreover, no client or prospective client should assume that any such discussion serves as the receipt of, or a substitute for, personalized advice from ADAM, or from any other investment professional. ADAM is neither an attorney nor an accountant, and no portion of the content provided herein should be interpreted as legal, accounting, or tax advice. Rankings and/or recognition by unaffiliated rating services and/or publications should not be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if ADAM is engaged, or continues to be engaged, to provide investment advisory services, nor should it be construed as a current or past endorsement of ADAM by any of its clients. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser.