

In Gold We Trust Report 2022

Stagflation 2.0

Ronald-Peter Stöferle
Mark J. Valek

May 24, 2022
Press Conference

In Our Partners We Trust



About the *In Gold We Trust* Report

- The annual gold study has been written by Ronald-Peter Stöferle **since 2007**, for the tenth time together with Mark Valek and under the umbrella of Incrementum AG.
- It provides a **holistic assessment of the gold sector** and the most important influencing factors such as real interest rate development, debt, inflation, etc.
- The *In Gold We Trust* report is one of the **most widely read gold studies worldwide** and was downloaded and shared almost 2 million times last year.
- Since this year, the short version will be **published in Spanish** in addition to German and English.
- All information can be found at **www.ingoldwetrust.report**



Mark Valek & Ronald Peter Stöferle



Executive Summary

In Gold We Trust Report 2022

- **Status Quo of Gold: Most Important Influencing Factors And Trends**
- **Central Banks with Their Backs to the Wall**
- **After the Everything Bubble Now the Everything Crash?**
- **Stagflation 2.0 – A New Challenge for Investors**
- **Gold, the only Neutral International Reserve Currency**
- **The Commodity Bull Market Is in Full Swing**
- **Traditional Investment Strategies not Suitable for this Investment Environment**
- **Fundamental and Technical Status Quo of Mining Stocks**
- **Royalty and Streaming Companies: An Interesting Alternative**
- **Is Gold Already Too Expensive?**



Gold Performance Since 2000 in Various Currencies

Annual Gold Performance, 2000-2022 YTD

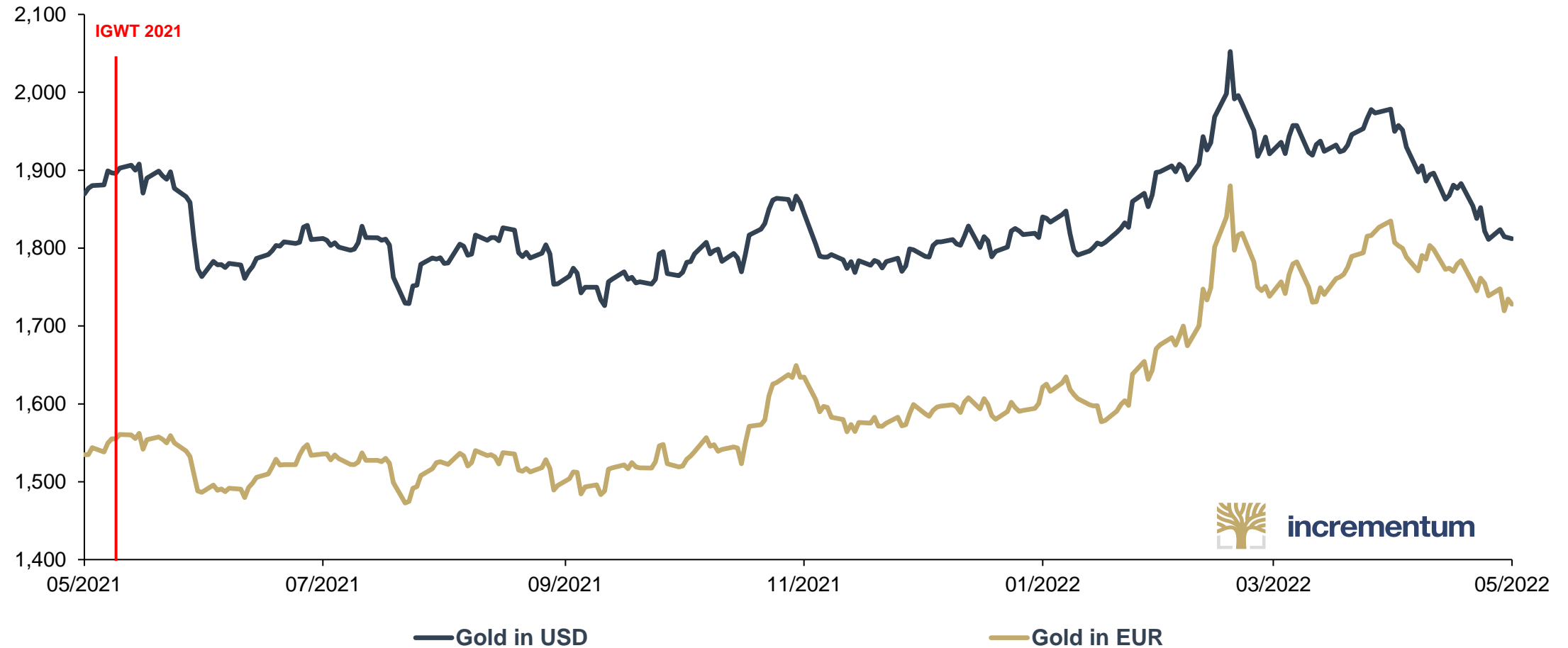
| Year | USD | EUR | GBP | AUD | CAD | CNY | JPY | CHF | INR | Average |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2000 | -5.3% | 1.2% | 2.4% | 11.2% | -1.9% | -5.4% | 5.8% | -4.2% | 1.4% | 0.6% |
| 2001 | 2.4% | 8.4% | 5.3% | 12.0% | 8.8% | 2.4% | 18.0% | 5.5% | 5.8% | 7.6% |
| 2002 | 24.4% | 5.5% | 12.3% | 13.2% | 22.9% | 24.4% | 12.2% | 3.5% | 23.7% | 15.8% |
| 2003 | 19.6% | -0.2% | 8.0% | -10.7% | -1.3% | 19.6% | 8.1% | 7.4% | 13.9% | 7.2% |
| 2004 | 5.6% | -2.0% | -1.7% | 1.5% | -2.0% | 5.6% | 0.8% | -3.1% | 0.1% | 0.5% |
| 2005 | 18.1% | 35.2% | 31.6% | 25.9% | 14.1% | 15.1% | 35.9% | 36.3% | 22.8% | 26.1% |
| 2006 | 23.0% | 10.4% | 8.1% | 14.3% | 23.3% | 19.0% | 24.2% | 14.1% | 20.7% | 17.5% |
| 2007 | 30.9% | 18.4% | 29.2% | 18.0% | 12.0% | 22.5% | 22.5% | 21.8% | 16.9% | 21.4% |
| 2008 | 5.4% | 10.0% | 43.0% | 30.5% | 28.7% | -1.5% | -14.2% | -0.8% | 30.0% | 14.6% |
| 2009 | 24.8% | 21.8% | 13.0% | -1.6% | 7.9% | 24.8% | 27.9% | 21.1% | 19.2% | 17.6% |
| 2010 | 29.5% | 38.6% | 34.2% | 13.9% | 22.8% | 25.1% | 13.2% | 16.8% | 24.8% | 24.3% |
| 2011 | 10.2% | 13.8% | 10.6% | 9.9% | 12.7% | 5.2% | 4.5% | 10.7% | 30.7% | 12.0% |
| 2012 | 7.1% | 5.0% | 2.4% | 5.3% | 4.2% | 6.0% | 20.7% | 4.5% | 11.1% | 7.4% |
| 2013 | -28.0% | -30.9% | -29.4% | -16.1% | -23.0% | -30.1% | -12.6% | -29.8% | -19.1% | -24.3% |
| 2014 | -1.8% | 11.6% | 4.4% | 7.2% | 7.5% | 0.7% | 11.6% | 9.4% | 0.2% | 5.6% |
| 2015 | -10.4% | -0.2% | -5.3% | 0.6% | 6.8% | -6.2% | -9.9% | -9.7% | -5.9% | -4.4% |
| 2016 | 8.5% | 12.1% | 29.7% | 9.4% | 5.3% | 16.1% | 5.4% | 10.3% | 11.4% | 12.0% |
| 2017 | 13.1% | -0.9% | 3.3% | 4.6% | 5.9% | 6.0% | 9.0% | 8.3% | 6.3% | 6.2% |
| 2018 | -1.5% | 3.0% | 4.3% | 9.0% | 6.8% | 4.1% | -4.2% | -0.8% | 7.3% | 3.1% |
| 2019 | 18.3% | 21.0% | 13.8% | 18.7% | 12.6% | 19.7% | 17.2% | 16.6% | 21.3% | 17.7% |
| 2020 | 25.0% | 14.7% | 21.2% | 14.1% | 22.6% | 17.2% | 18.8% | 14.3% | 28.0% | 19.5% |
| 2021 | -3.6% | 3.6% | -2.6% | 2.2% | -4.3% | -6.1% | 7.5% | -0.6% | -1.7% | -0.6% |
| 2022 YTD | -0.7% | 7.9% | 8.9% | 3.7% | 1.3% | 5.6% | 10.6% | 7.5% | 3.7% | 5.4% |
| Average | 9.3% | 9.1% | 10.7% | 8.6% | 8.4% | 8.3% | 10.1% | 6.9% | 11.9% | 9.2% |

Source: Reuters Eikon, Incrementum AG, figures as of 05/18/2022



Since Last Year's Publication, Gold in USD and in EUR Hve Developed Differently

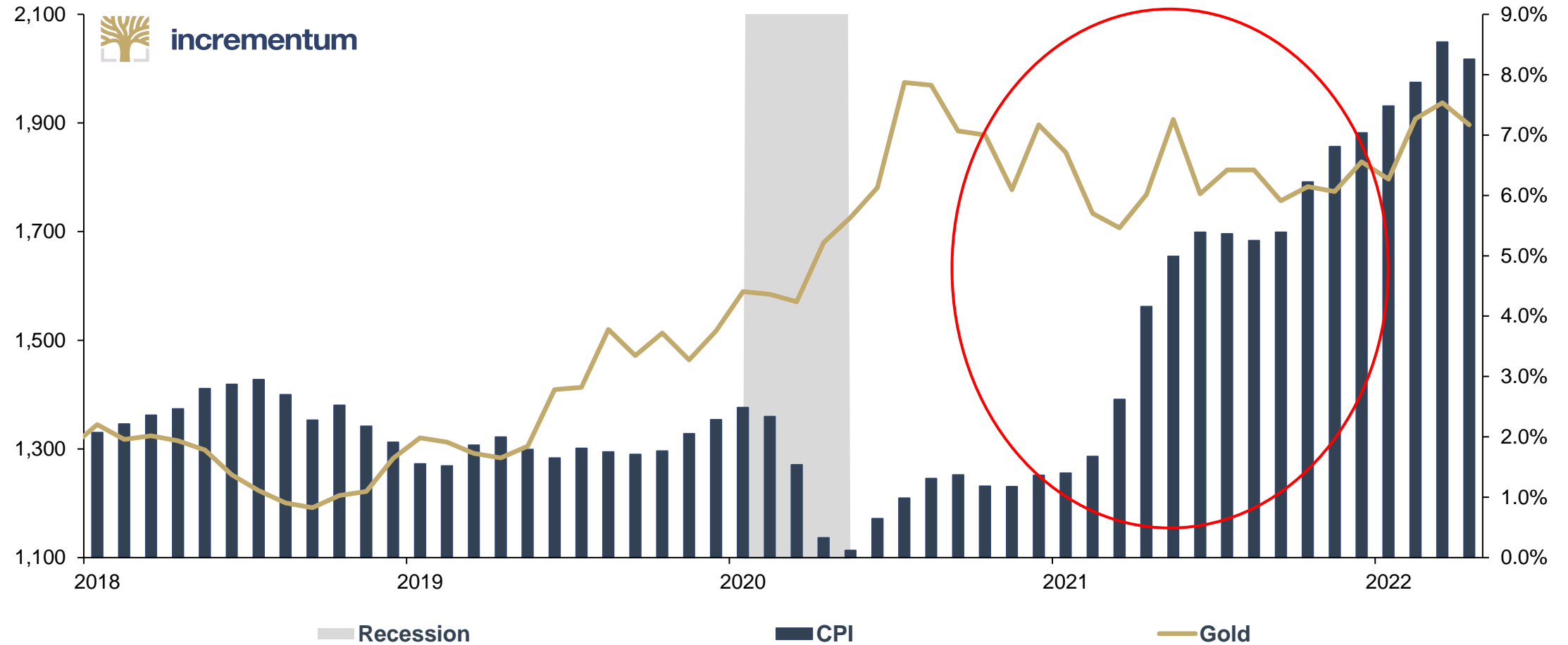
Gold, in USD and EUR, 1-Year Performance, 05/2021–05/2022



Source: Reuters Eikon, Incrementum AG

Gold Has Disappointed Many Investors in 2021

Gold (lhs), in USD, and CPI (rhs), 01/1970–04/2022



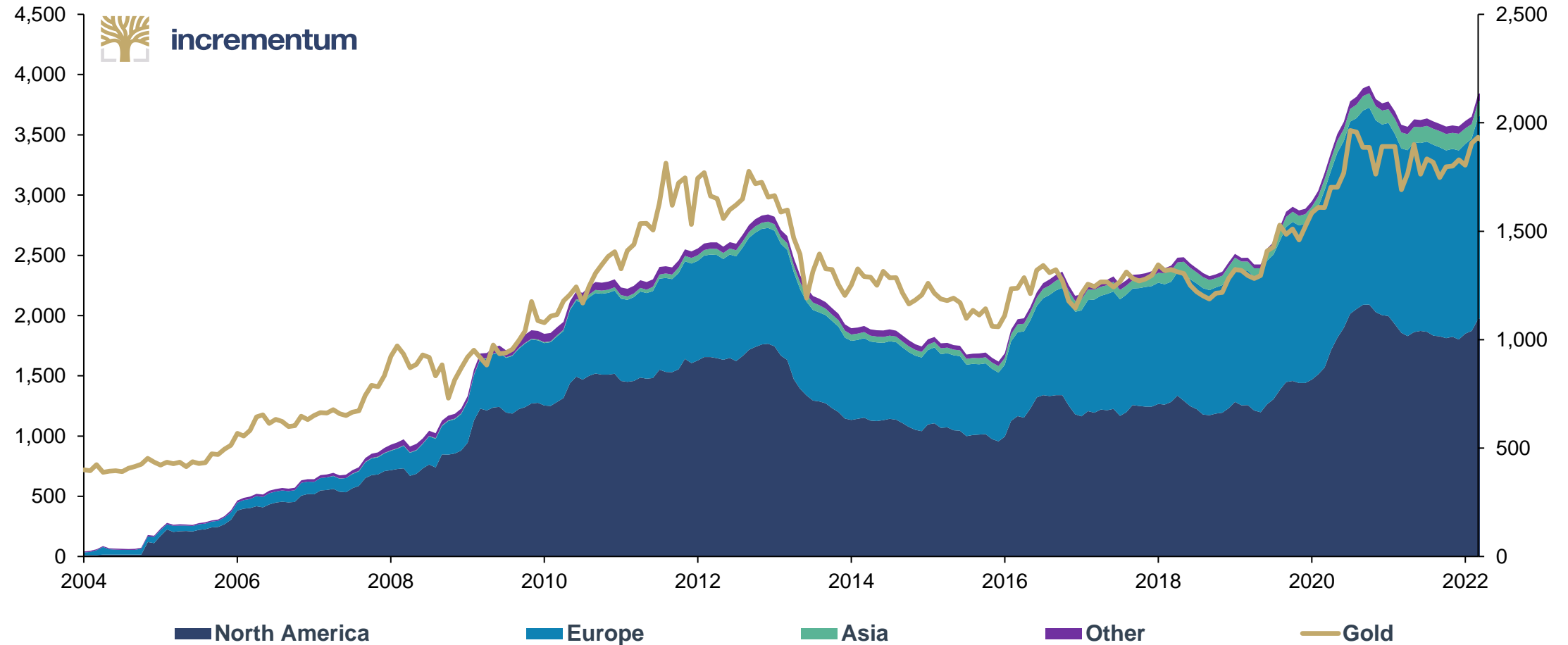
Source: Reuters Eikon, Incrementum AG



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Global ETF Holdings Remain Well Above Pre-Pandemic Levels

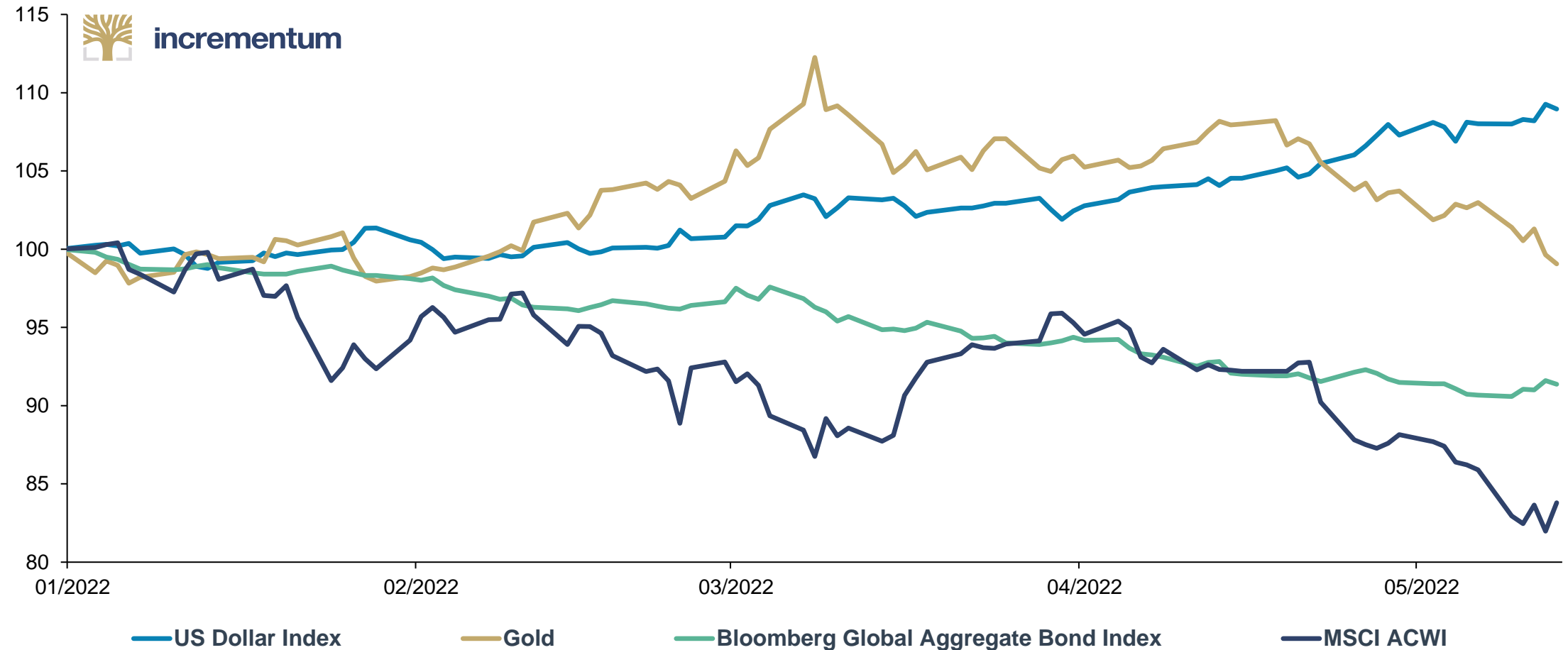
Cumulated ETF Holdings by Region (lhs), in Tonnes, and Gold (rhs) in USD, 01/2004–04/2022



Source: World Gold Council, Incrementum AG

Gold Has So Far Been Able to Fare Well Despite the Adverse Financial Market Environment in 2022

US Dollar Index, Gold, Bloomberg Global Aggregate Bond Index, and MSCI-ACWI, in USD, 100 = 31.12.2021, 01/2022–05/2022



Source: Reuters Eikon, Incrementum AG



Gold in EUR Marked Several New ATHs in 2022

Gold (lhs), in EUR, and ECB Balance Sheet (rhs), in EUR bn, 01/2002–05/2022



Source: Reuters Eikon, Incrementum AG

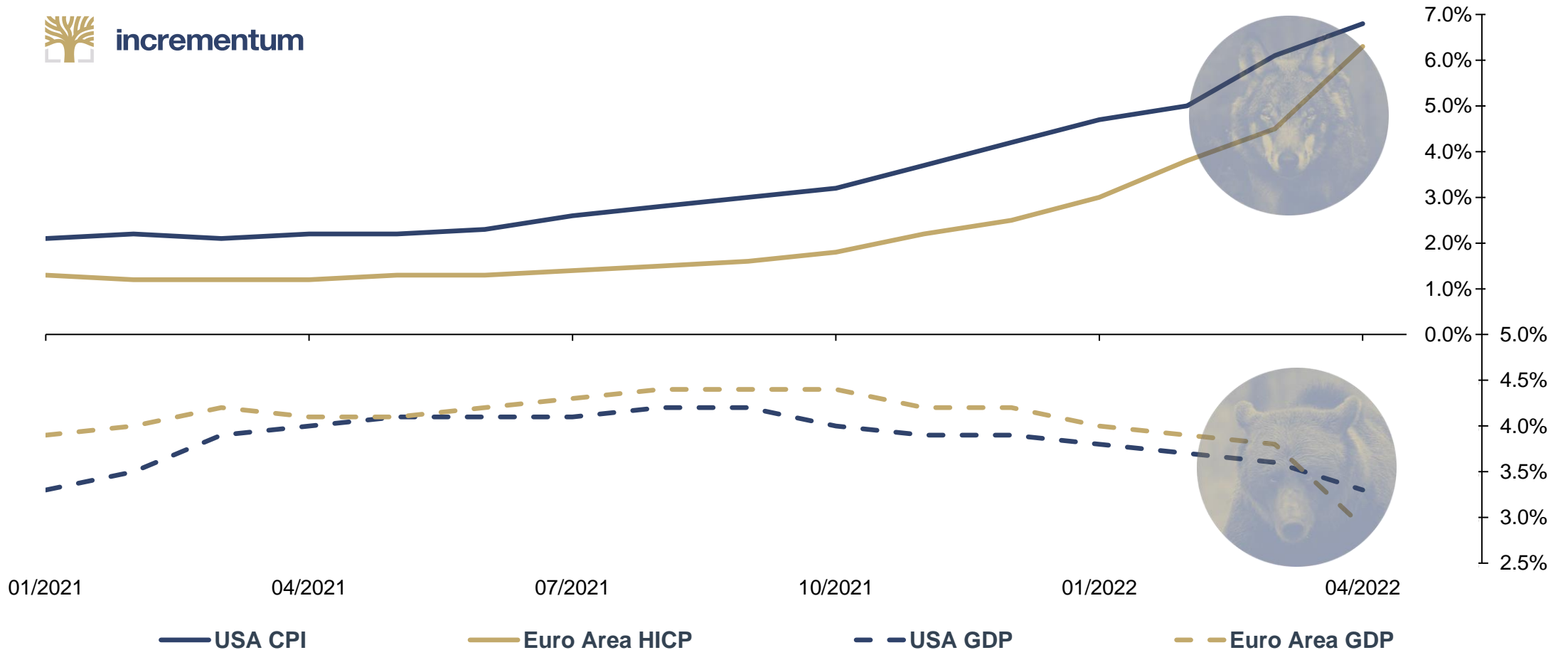


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Supply Chain Problems, Sanctions, Monetary Policy and Deglobalization – the Inflation Wolf Is Joined by the Recession Bear

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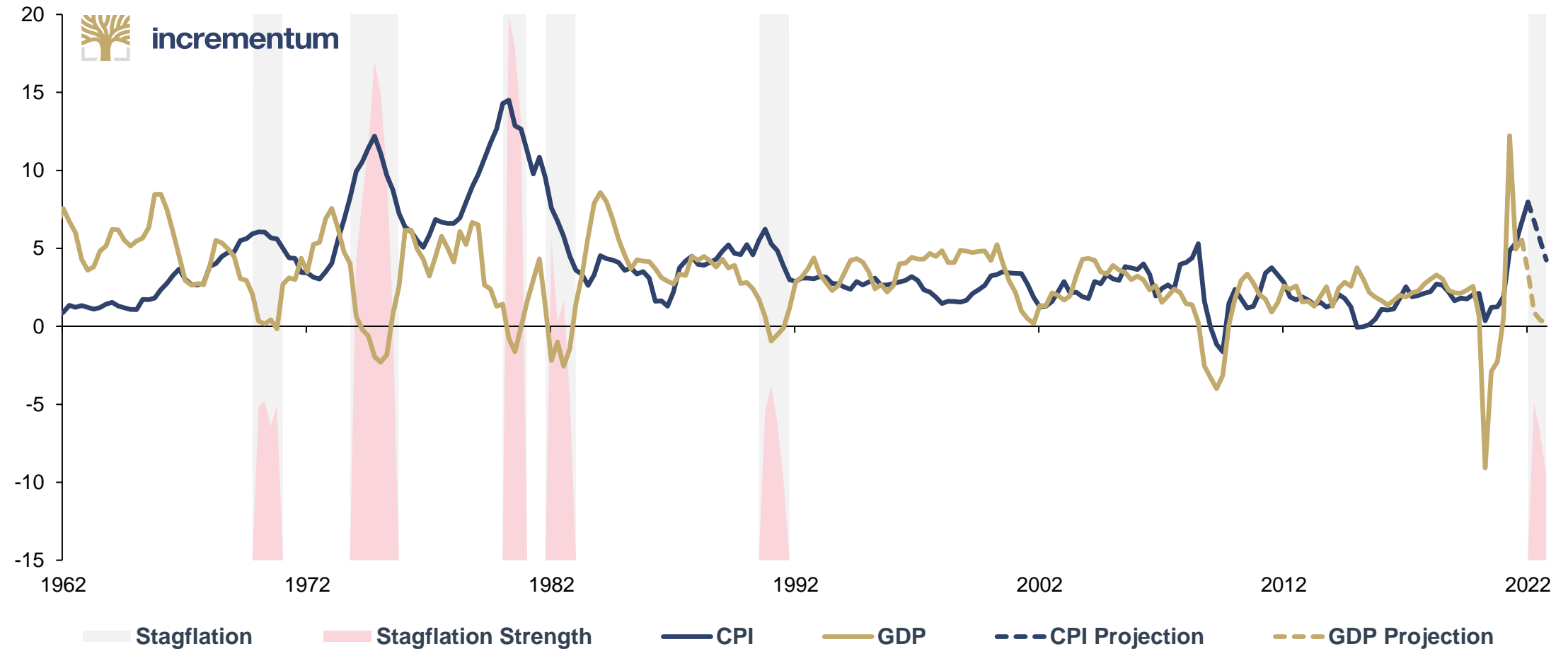
Monthly Inflation and GDP Polls for 2022, USA and Euro Area, 01/2021–04/2022



Source: Reuters Eikon, Incrementum AG

Stagflation = GDP Growth YoY% < 1% & Inflation YoY% > 3%

US GDP, US CPI, and Projections, yoy%, and Stagflation Periods, Q1/1962–Q4/2022e



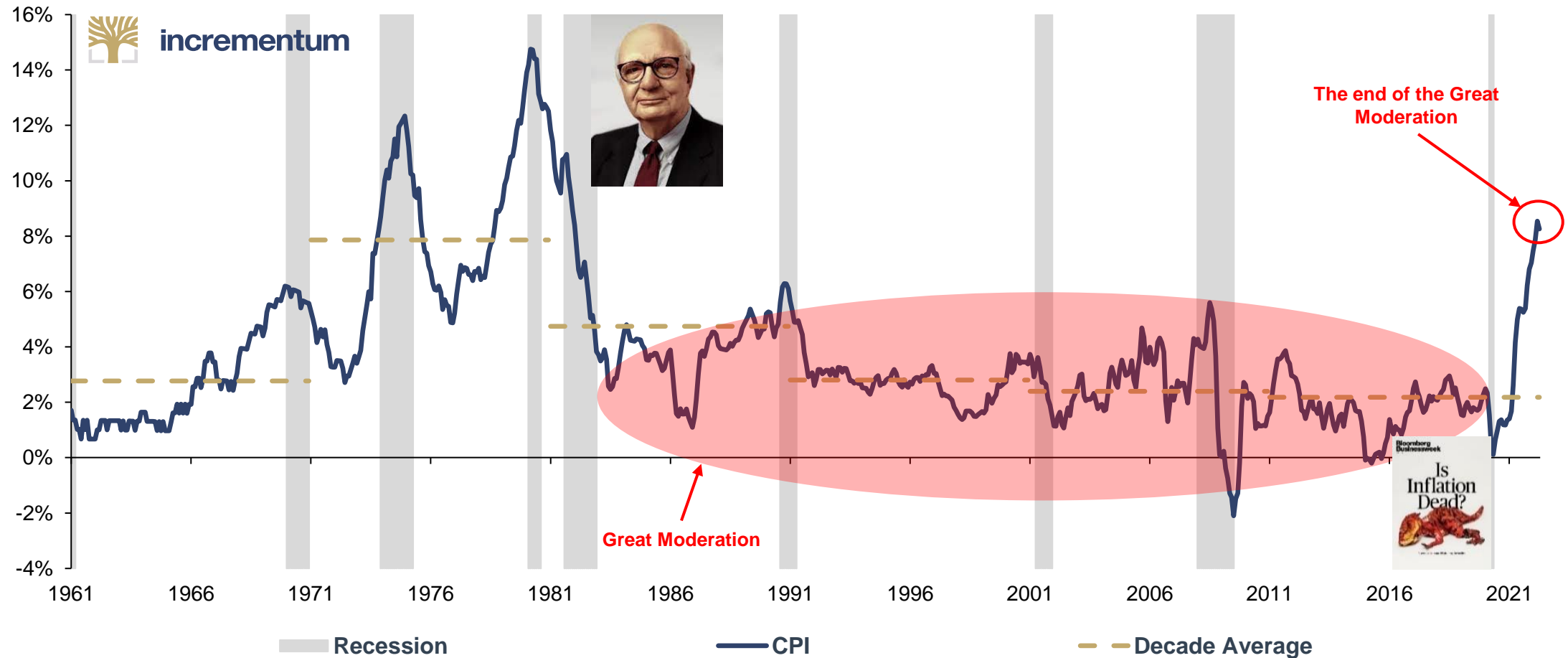
Source: Reuters Eikon, Incrementum AG



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An End to 40 Years of the Disinflationary "Great Moderation" Would Have Serious Consequences for Investors

US CPI, yoy%, 01/1961–04/2022



Source: Reuters Eikon, Incrementum AG

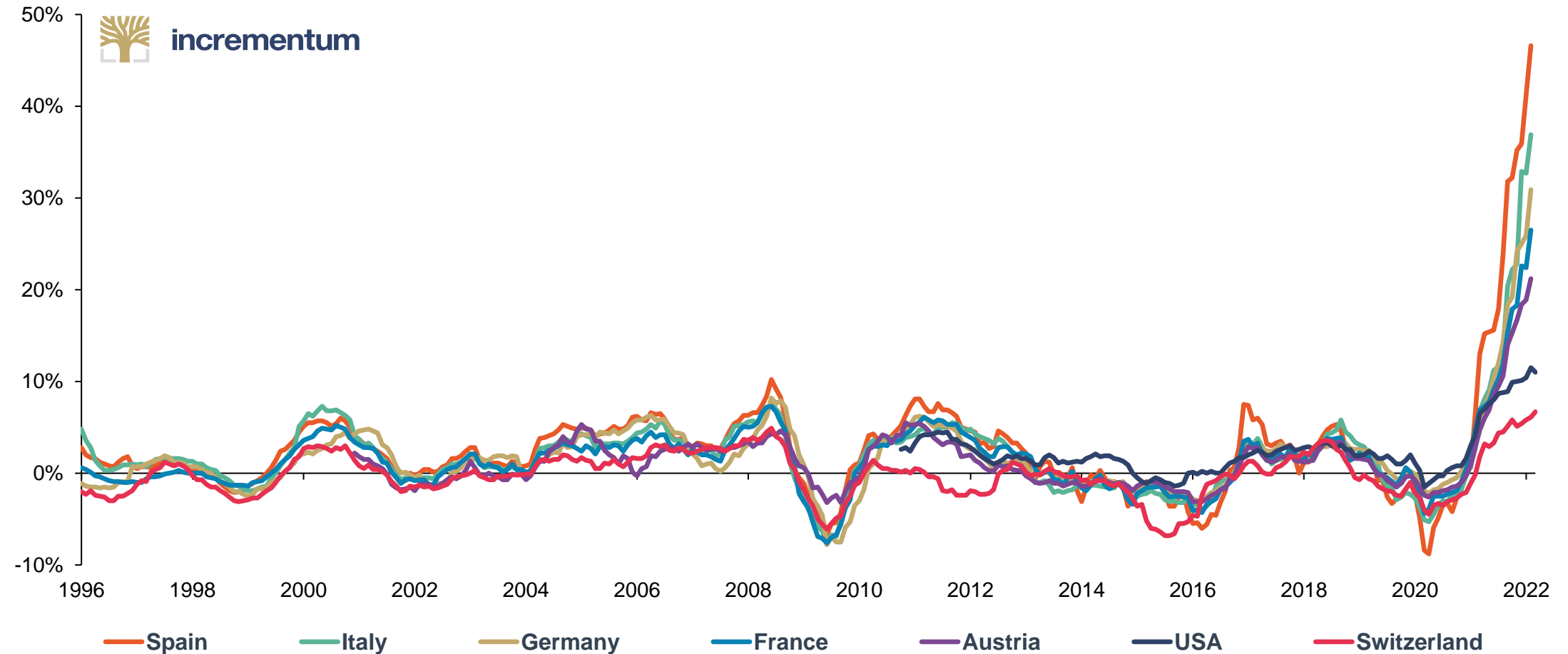


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Producer Prices in the Euro Area Are Rising at the Fastest Rate in Half a Century

PPI, yoy%, 01/1996–04/2022

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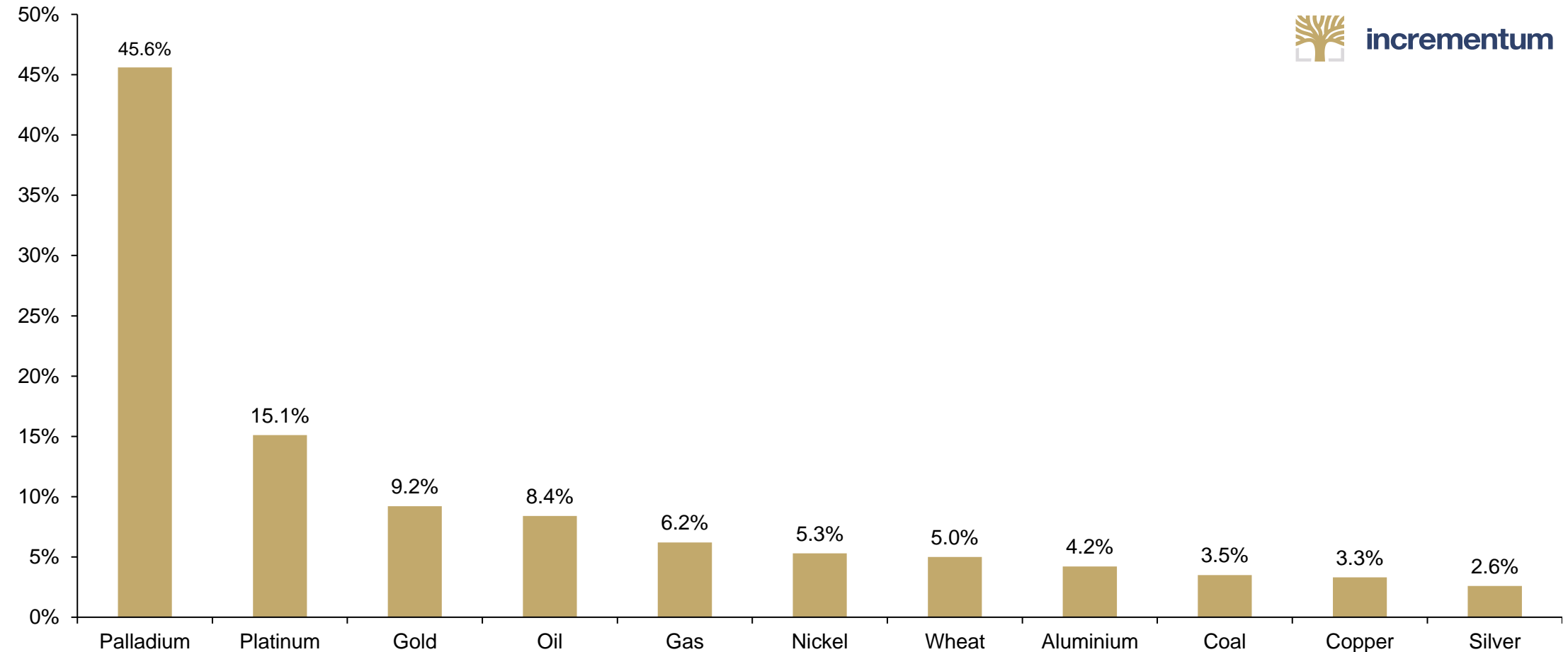
Source: Reuters Eikon, Incrementum AG



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The War in Ukraine and the Subsequent Spiral of Sanctions Further Fuel Inflation

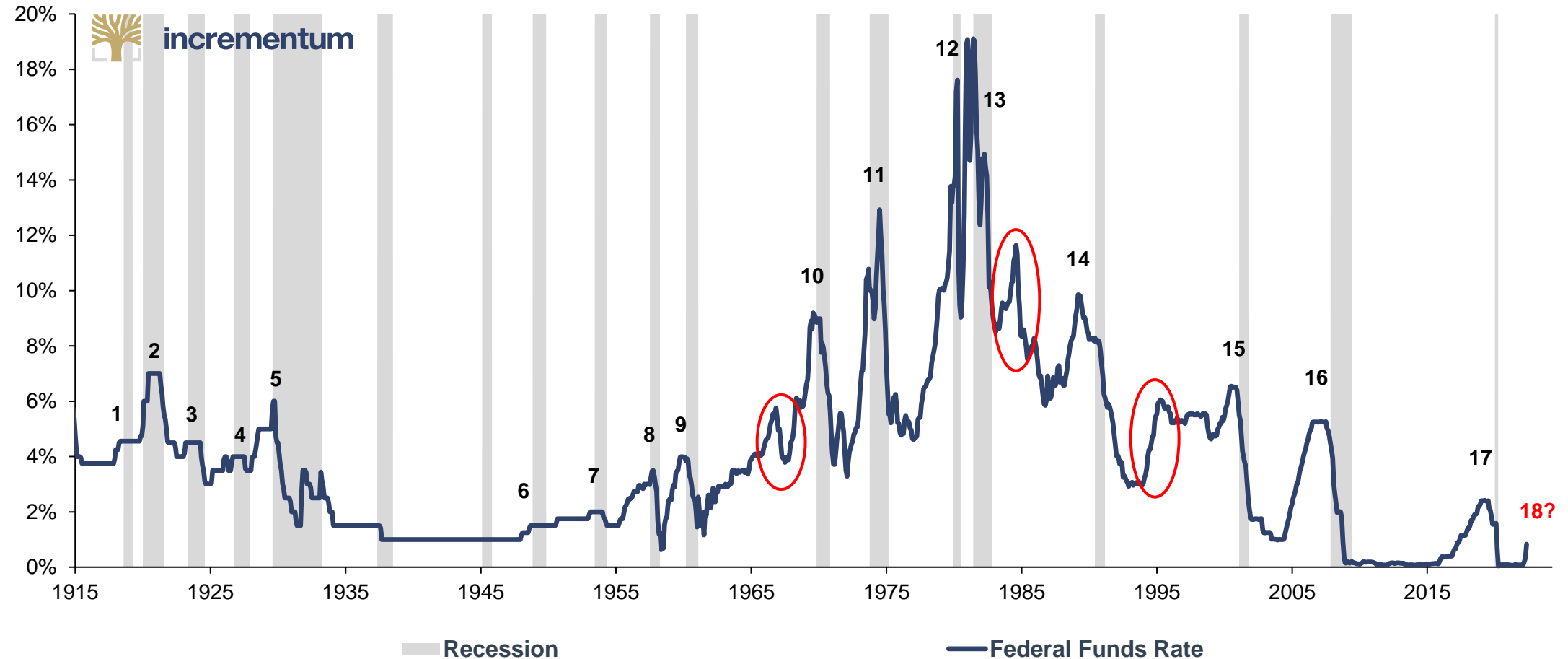
Russia's Exports, as % of Global Production, 2021



Source: Bloomberg, JPMorgan, Incrementum AG

Only 3 Out of 20 Rate Hike Cycles Did Not End in a Recession

Federal Funds Rate, 01/1915–05/2022



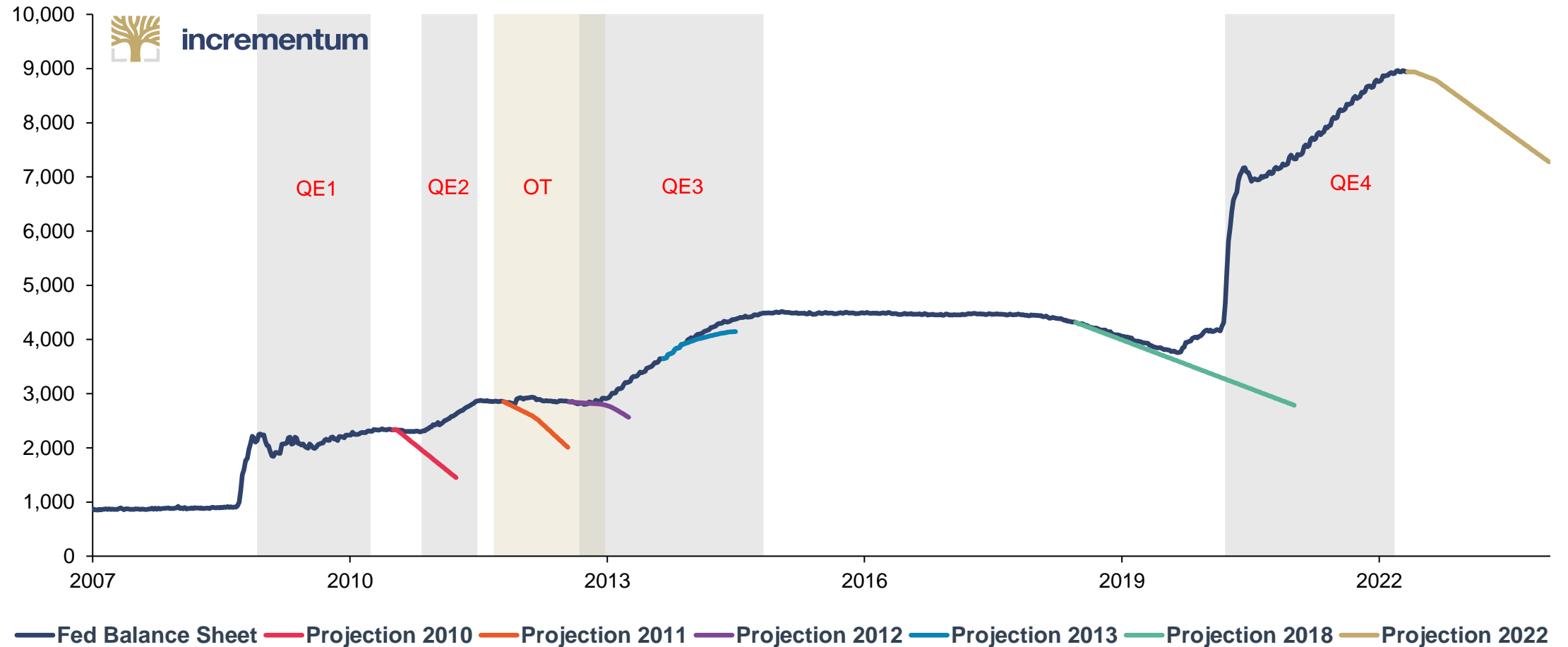
Source: Reuters Eikon, Incrementum AG



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Can the Reduction of the Federal Reserve's Balance Sheet Succeed This Time without a Recession and/or a Financial Crisis?

Fed Balance Sheet Path, in USD bn, 01/2007-01/2024e

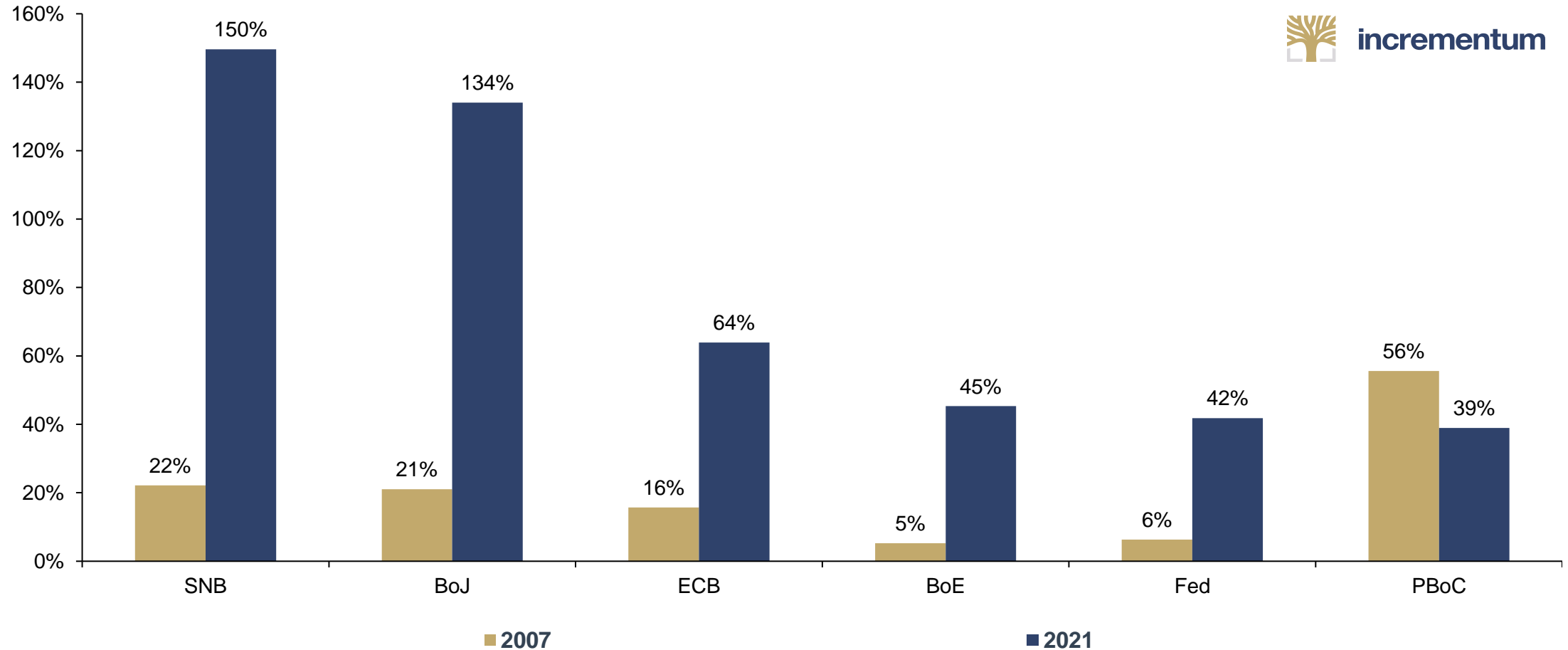


Source: Reuters Eikon, Federal Reserve, Incrementum AG



Since 2007, Central Bank Balance Sheets Have Grown Much Faster Relative to GDP, with the Exception of China

Central Bank Balance Sheets, as % of GDP, 2007 and 2021

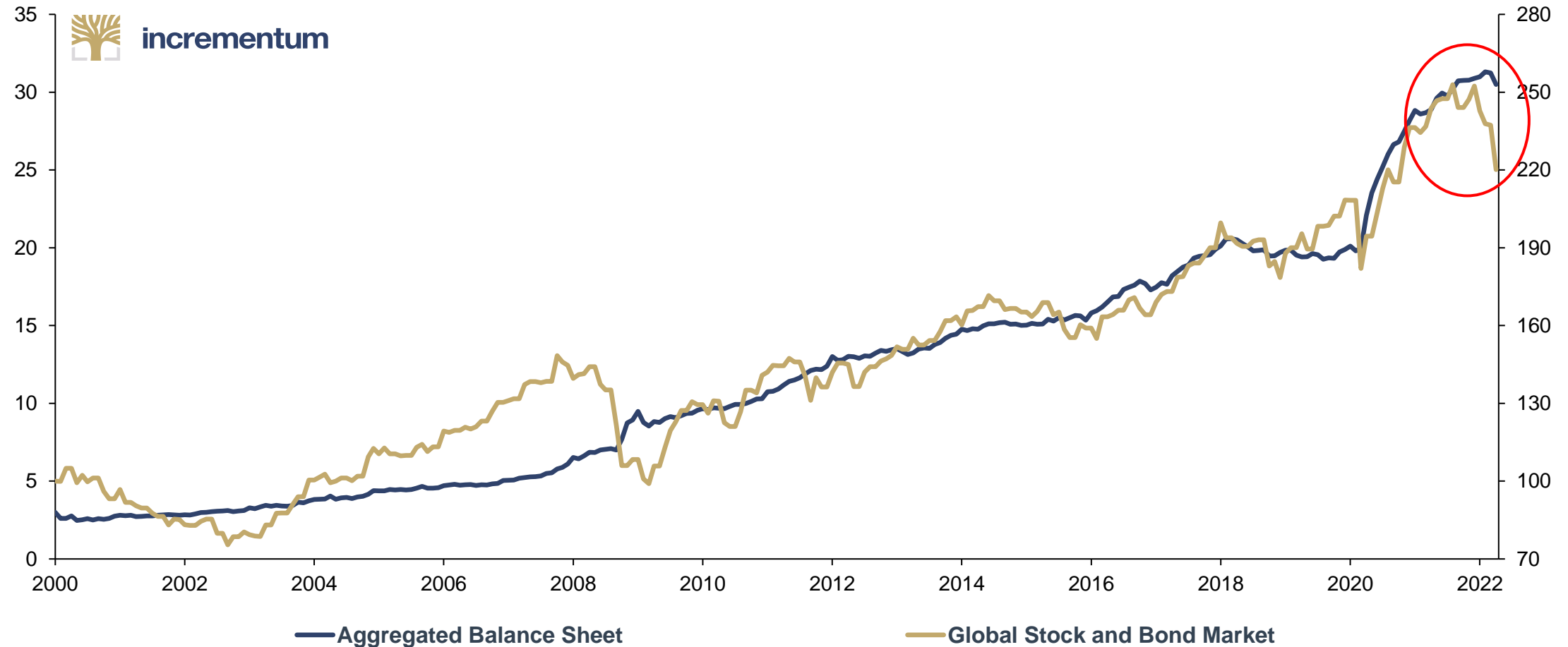


Source: Central Bank Statistics, World Bank, Incrementum AG



Mixed Portfolios Have Suffered Heavy Losses So Far This Year

Aggregated Balance Sheet of Fed, ECB, BoJ, and PBoC (lhs), in USD trn, and Global Stock and Bond Market Price Development* (rhs), 01/2000–04/2022



Source: Reuters Eikon, Incrementum AG

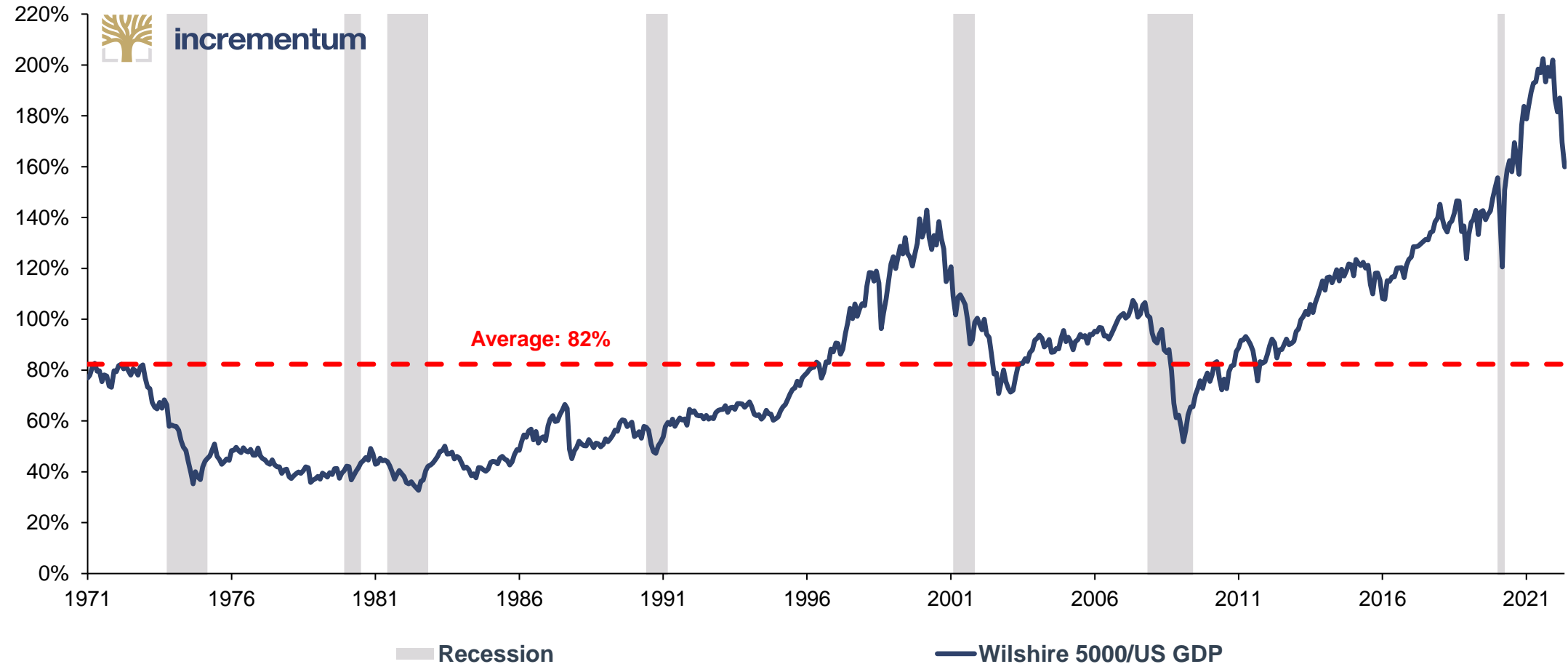
*consisting of 60% MSCI ACWI and 40% FTSE Global Gov. Bond Index



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Everything Bubble – Stagflation – Everything Crash...

Wilshire 5000/US GDP, in %, 01/1971–05/2022



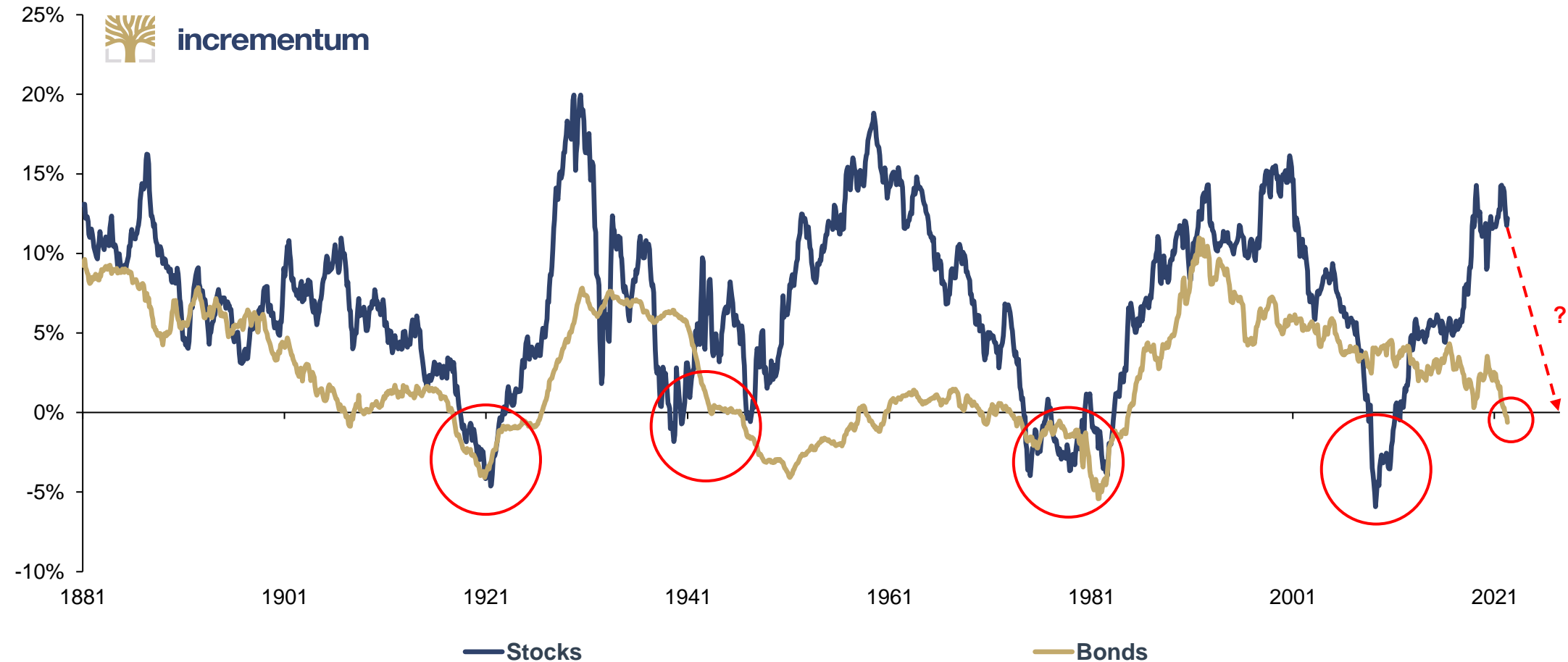
Source: Reuters Eikon, Incrementum AG



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The Annualized Real Yield on Bonds Is in Negative Territory for the First Time in Nearly 40 Years. Will Stocks Follow?

10-Year Annualized Real Returns of Stocks and Bonds*, 01/1881–04/2022



Source: Robert J. Shiller, Incrementum AG

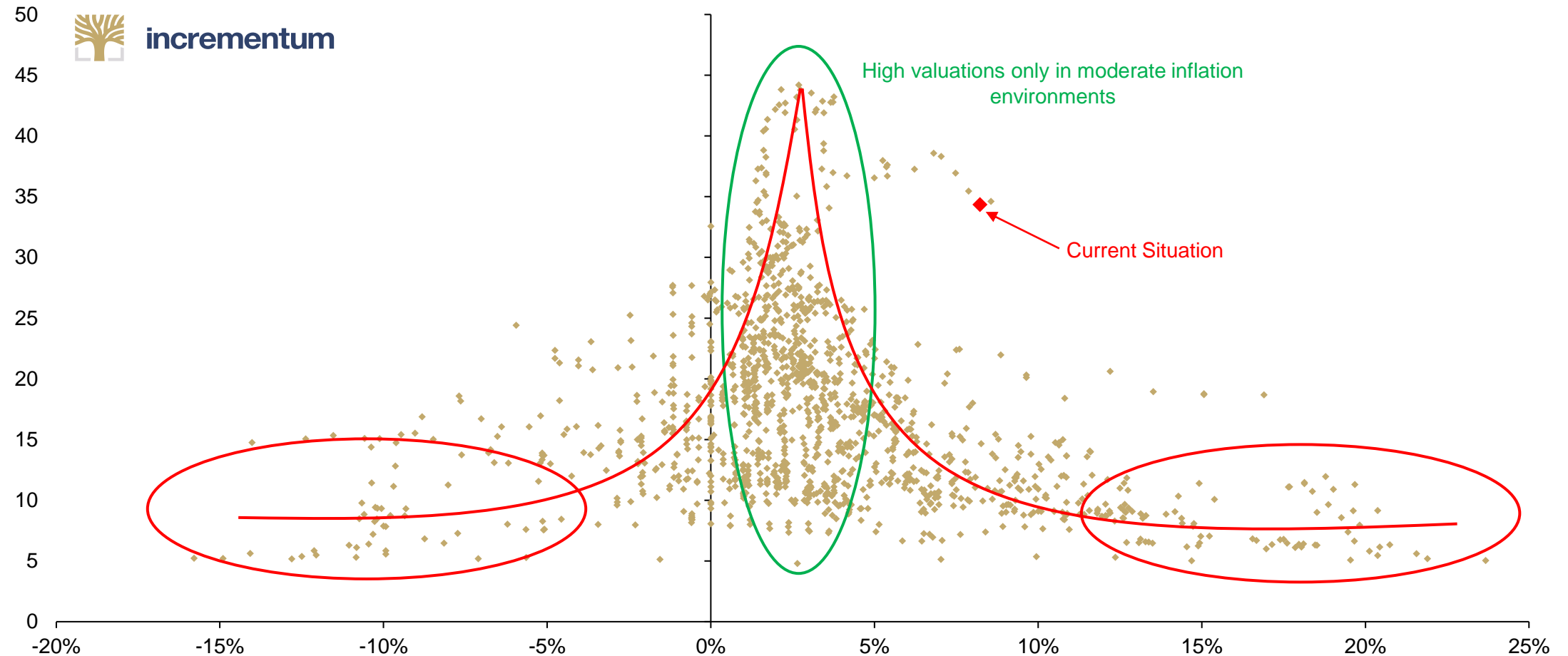
*Stocks = S&P 500 TR/Bonds = 10-Year US Treasuries



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It Turns Out that Equities Tend to Perform Poorly in Highly Deflationary and Highly Inflationary Environments

CPI Inflation Rate (x-axis), and Shiller P/E Ratio (y-axis), 01/1900-04/2022

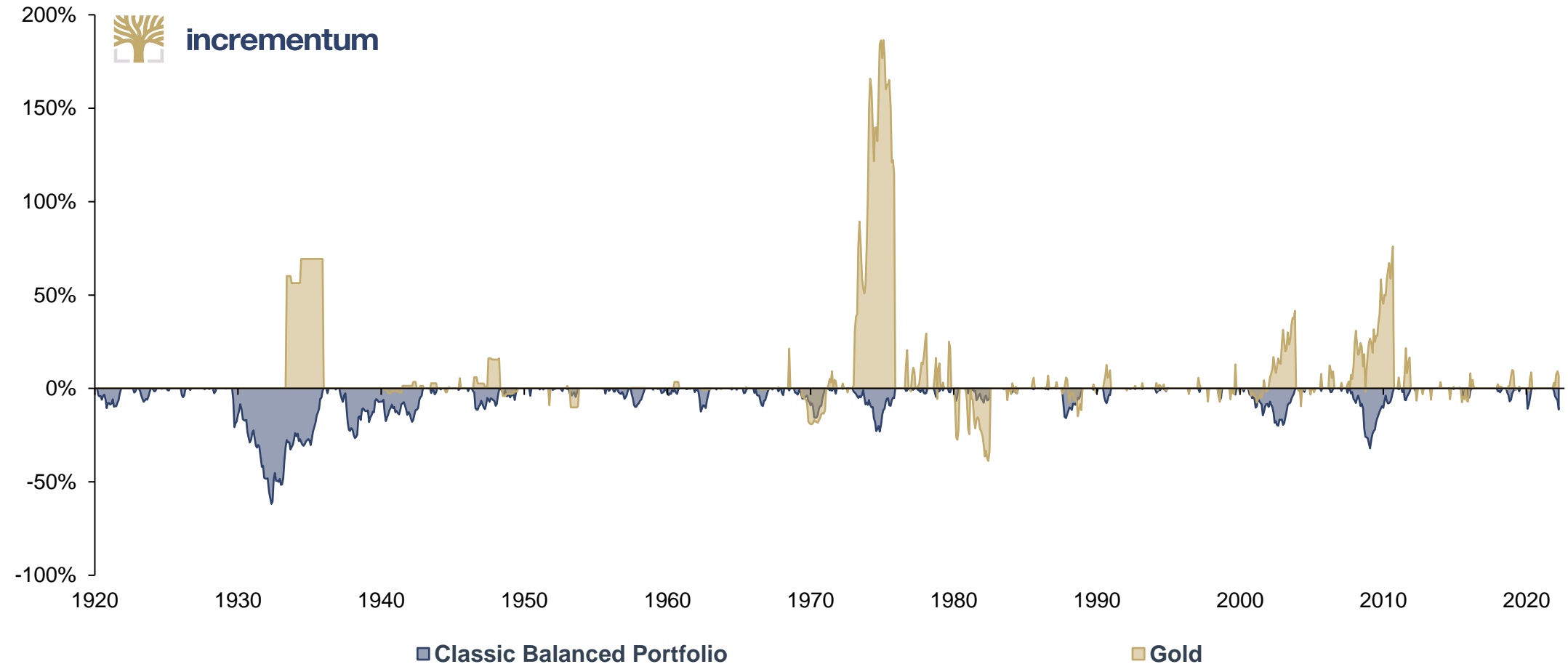


Source: Robert J. Shiller, Incrementum AG



Due to the Positive Correlation of Stocks and Bonds, You Need a Portfolio Diversifier That Works: Gold!

Gold Performance During Classic Balanced Portfolio* Drawdowns, 01/1920–04/2022



Source: Bridgewater, Reuters Eikon, goldchartsrus.com, Incrementum AG

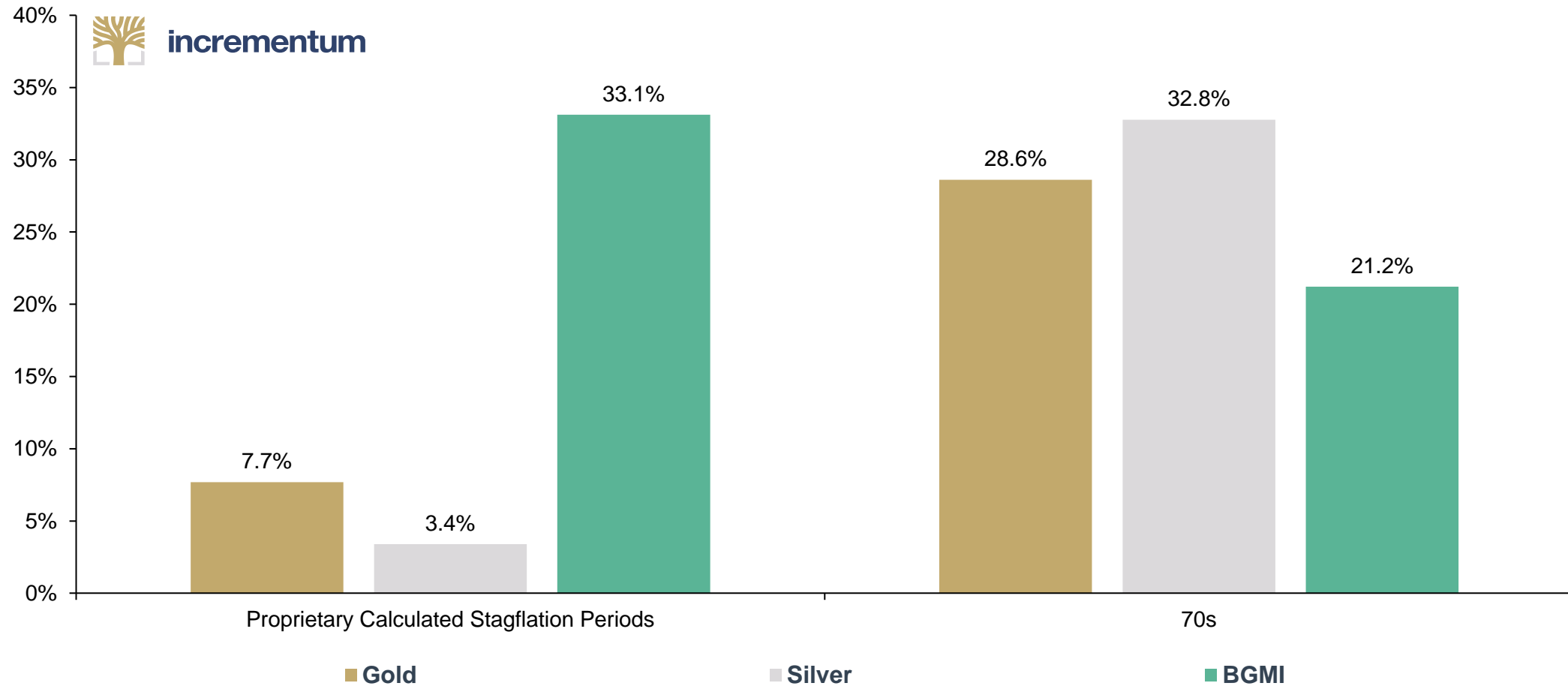
*60% Stocks (S&P 500 TR)/ 40% IG Bonds



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Gold, Silver, and Mining Stocks Have Historically Outperformed in a Stagflationary Environment

Average Annualized Real Returns of Gold, Silver, and BGMI During Proprietary Calculated Stagflation Periods and 70s

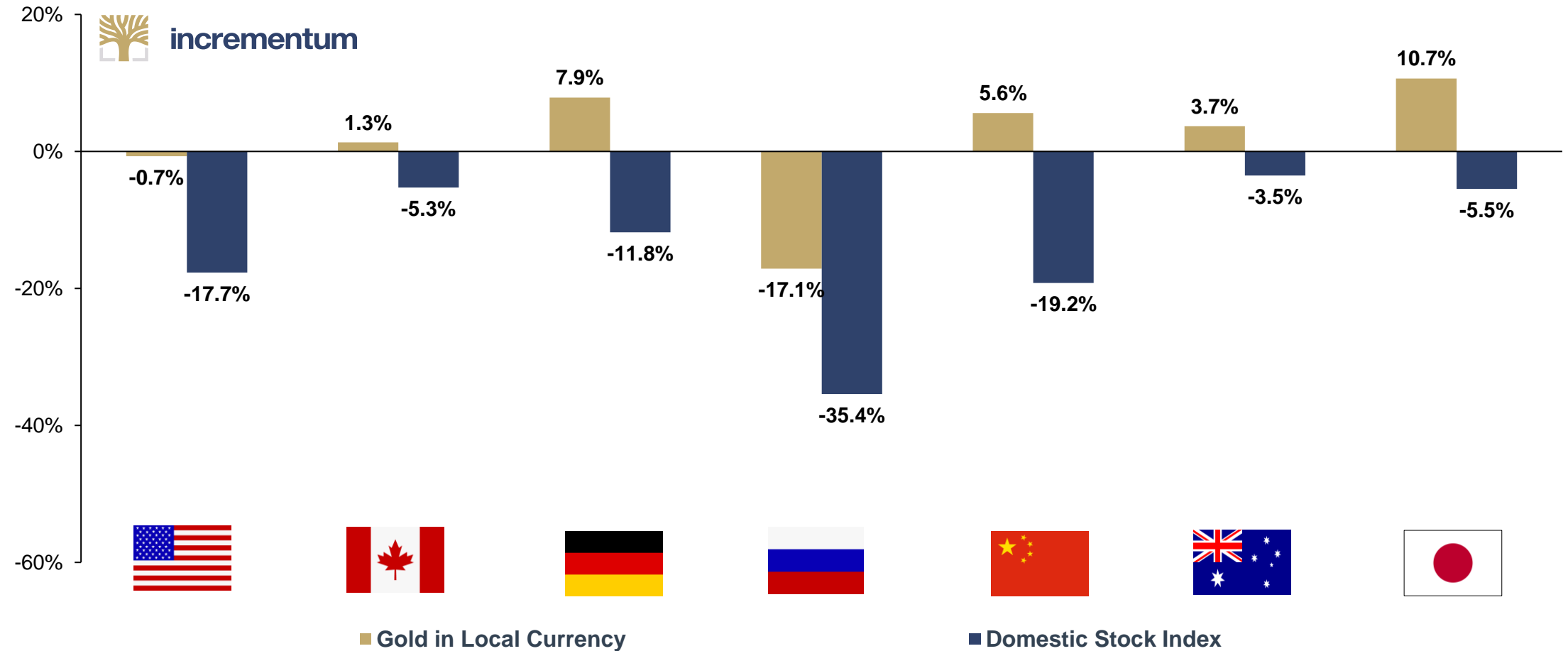


Source: Reuters Eikon, goldchartsrus.com, Incrementum AG



Gold as a Defensive and Stabilizing Portfolio Component

Gold in Local Currency, and Domestic Stock Index, Annual Performance in %, 2022



Source: Reuters Eikon (as of 18th of May 2022), Incrementum AG

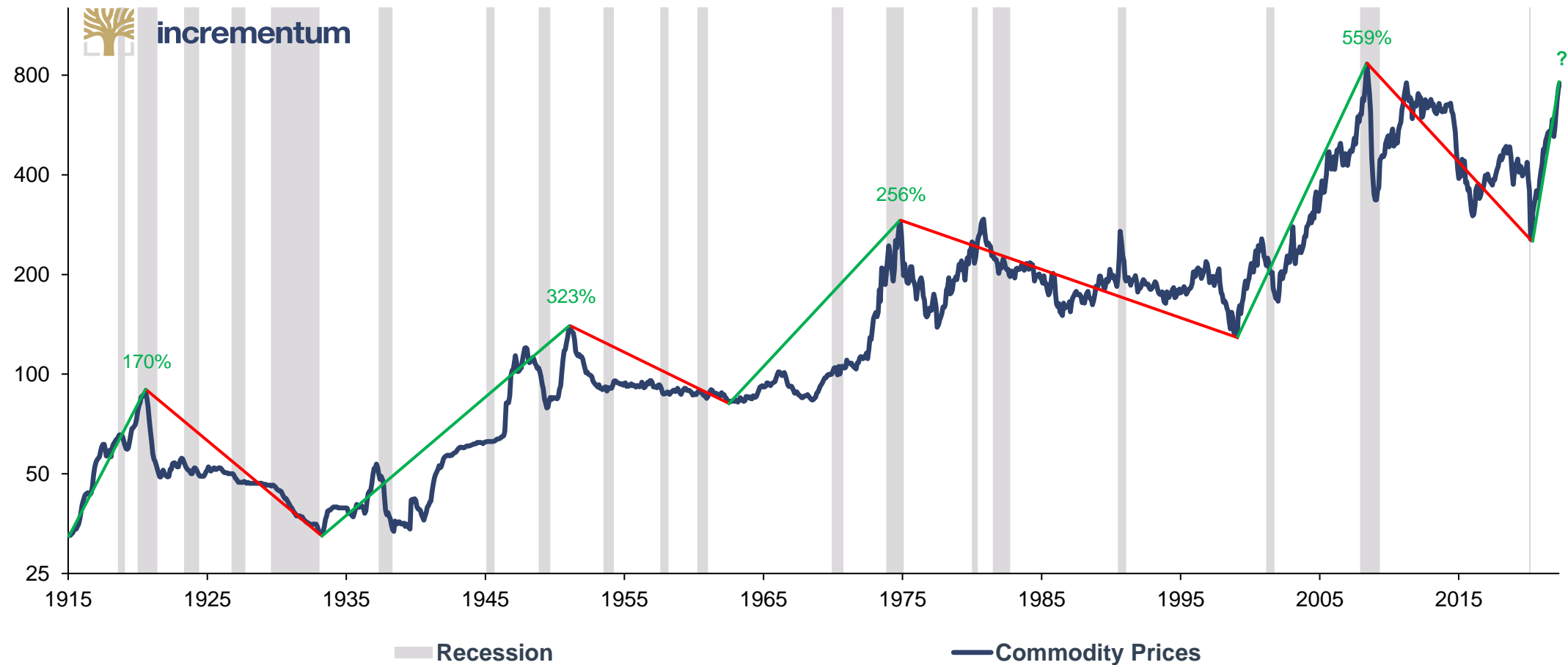


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Commodities Are Currently Benefiting from Ongoing Political Unrest – the Supercycle Is in Full Swing!

Commodity Prices*, 01/1915–04/2022

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Source: Alpine Macro, Federal Reserve St. Louis, Reuters Eikon, Incrementum AG

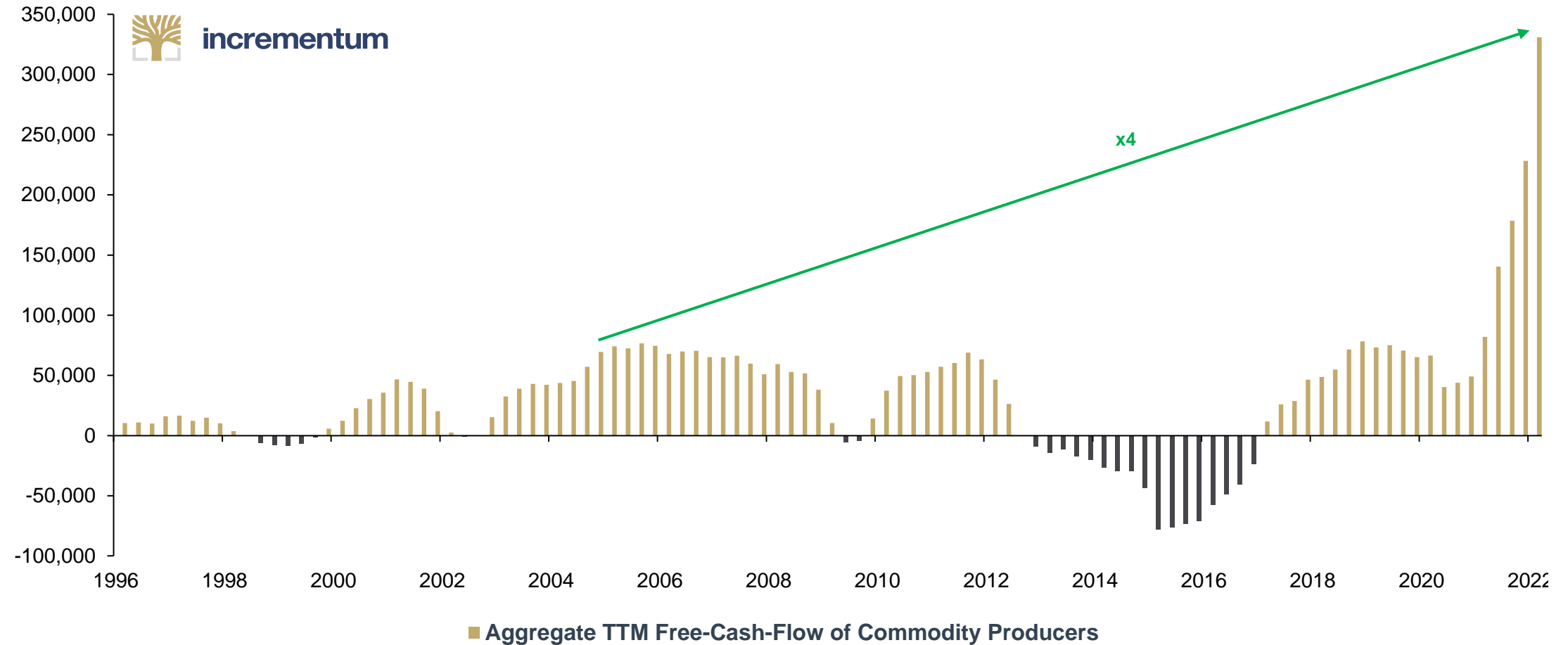
*1913-1934 US PPI Industrial Commodities, 1935-1949 Spot Price 28 Commodities, 1950-1969 Spot Price 22 Commodities, since 1970 S&P GSCI



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Companies in the Commodities Sector Have Become True Cash Flow Monsters

Aggregate TTM Free-Cash-Flow of Commodity Producers*, in USD mn, Q1/1996–Q1/2022



Source: Crescat Capital LLC, Tavi Costa, Bloomberg, Incrementum AG

*Companies with market cap above USD 1 bn. in the Canadian and US stock exchanges



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The *Incrementum Inflation Strategy* as a Portfolio Component in Stagflationary Times

Incrementum Inflation Strategy and GSCI TR EUR*, 100 = 21.02.2014, 02/2014–04/2022



Source: Reuters Eikon, Incrementum AG

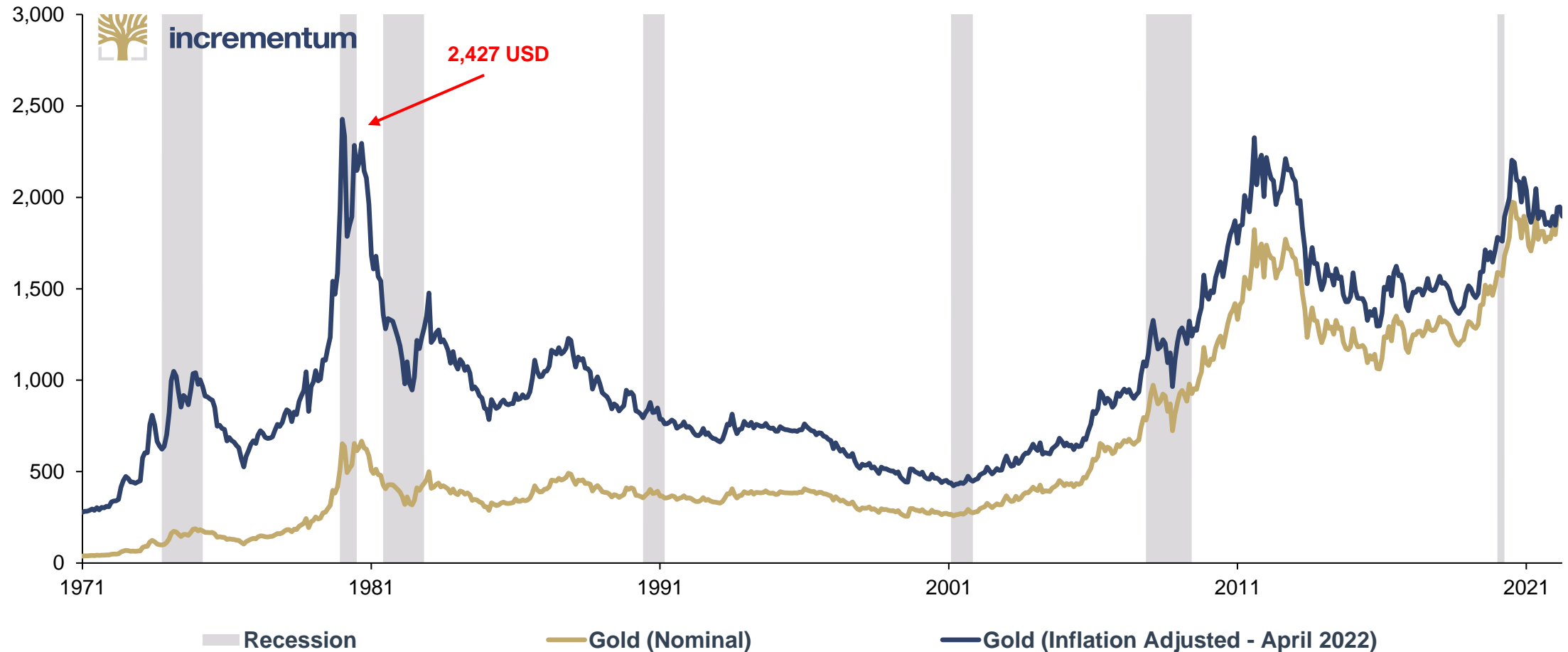
*Calculation incl. 1% p.a. TER



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The Inflation-Adjusted ATH of Gold Stands at Approximately USD 2,400

Gold (Nominal), and Gold (Inflation Adjusted – April 2022), in USD, 01/1971–04/2022



Source: Reuters Eikon, Incrementum AG



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The Interim Target by the End of 2022 Is USD 2,187 per Troy Ounce of Gold

Intermediate Status of the Gold Price Projection until 2030: Gold, and Projected Gold Price, in USD, 01/1970–12/2030



Source: Reuters Eikon, Incrementum AG



Summary

In Gold We Trust Report 2022

- Decades of Disinflation (Great Moderation) Over
- Federal Reserve Acts Late but Decisively – at Least for Now. Other Central Banks Are thus Under Pressure
- The Balancing Act of Fighting Inflation without Triggering Distortions on the Markets Is Doomed to Failure
- Inflation Wolf Gets Company from the Recession Bear: Stagflation
- Longer-term Environment of High Inflation, Inflation Occurs in Waves
- The Current Wave of Inflation Will Reach Its Peak this Year
- Crucial Question for the Gold Price: When Will Monetary Tightening Be Stopped?
 - By the End of 2022, Gold Price at about USD 2,200, If Central Banks Are Forced to Make a Monetary U-Turn
 - 2030 Target confirmed: USD 4,800



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About the Society.
About the **Future**.*

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**Extensive**

Detailed study on gold and gold-relevant capital market developments.

**Critical**


Critical consideration of all relevant events.

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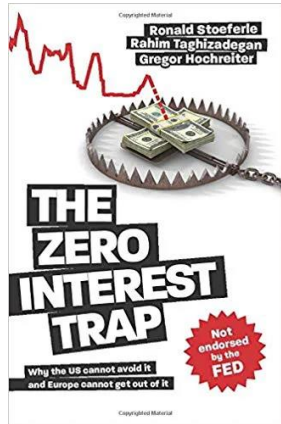
Recognized in more than 60 nations.

Key Facts

- ✓ Extensive annual study of gold and gold-related capital market developments
- ✓ Critical analysis and holistic approach
- ✓ Reference work for everybody interested in gold, precious metals and mining stocks
- ✓ Extent 2020: More than 300 pages
- ✓ International recognition – newspaper articles in more than 60 countries (Wall Street Journal: "The Goldstandard of Gold Analysis")
- ✓ Available in a Compact and Extended version
- ✓ Obtainable in English, German and Chinese
- ✓ Published for the 14th time in 2019

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The individual chapters of the *In Gold We Trust* report – the so-called nuggets – are ideal “snacks” for in between.

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In Gold We Trust **Report**

Since 2007, the annual *In Gold We Trust* report is THE authoritative report on gold investing, and is required reading for anyone interested in the precious metal market.

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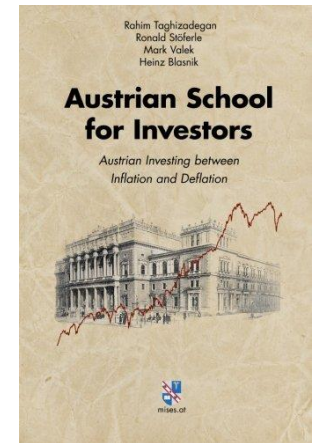
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- **Incrementum AG** is an owner-managed and fully licensed asset manager & wealth manager based in the Principality of Liechtenstein.
- Independence is the cornerstone of our philosophy. The partners own 100% of the company.
- Our goal is to offer solid and innovative investment solutions that do justice to the opportunities and risks of today's complex and fragile environment.



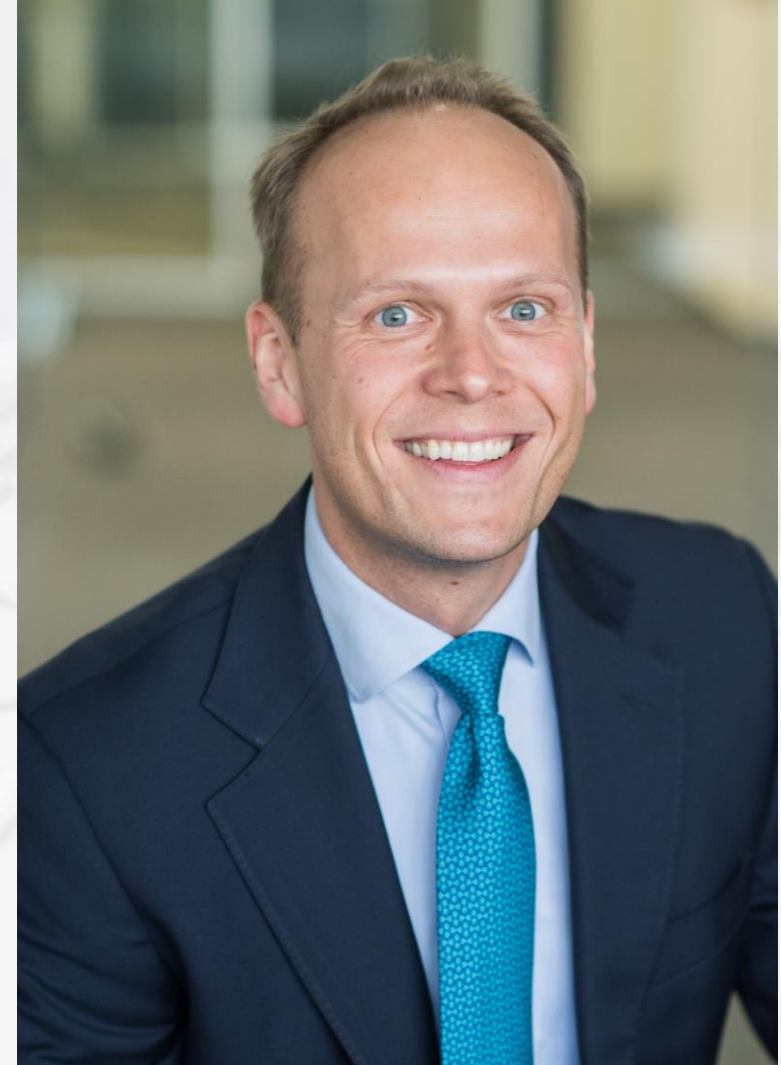
The 5 partners of Incrementum AG

Mark J. Valek, Dr. Christian Schärer, Ronald-Peter Stöferle,
Stefan Kremeth and Hans Günter Schiefen



About Ronald-Peter Stöferle

- **Managing Partner of Incrementum AG
Research and Portfolio Management**
- Business Administration and Finance studies in Vienna and at the University of Illinois
- Chartered Market Technician (CMT) and Certified Financial Technician (CFT)
- Erste Group Research 2006 – 2012
- Fund manager
 - Incrementum Inflation Diversifier Fund
 - Incrementum Digital & Physical Gold Fund
 - Incrementum Crypto Gold Fund
- Since 2007 **Author of the *In Gold We Trust* Report**
- Publication of the bestsellers "Austrian School for Investors" (2014) and "The Zero Interest Trap" (2019)
- Member of the Board of Directors of Tudor Gold (TUD), a promising Canadian junior explorer
- Advisor at Matterhorn Asset Management / Gold Switzerland



About Mark Valek

- **Partner of Incrementum AG**
Portfolio Management and Research
- Business Administration and Finance studies in Vienna
- Chartered Alternative Investment Analyst (CAIA) and Certified Portfolio Manager (CPM)
- Raiffeisen Central Bank 1999-2001
- Merrill Lynch 2001-2002
- Raiffeisen Capital Management 2002 – 2012
- Fund manager
 - Incrementum Inflation Diversifier Fund
 - Incrementum Digital & Physical Gold Fund
 - Incrementum Crypto Gold Fund
- Since 2013 **Author of the *In Gold We Trust* Report**
- Publication of the bestseller "Austrian School for Investors" (2014)
- Founder Philoro Edelmetalle GmbH





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