WHITE FALCON

CAPITAL MANAGEMENT LTD.

October 16, 2022

RE: Q3 2022 Partners update letter

Dear Partners,

While individual client returns may differ based on their inception dates, consolidated performance of all accounts for the period ending September 30, 2022 is as follows:

	QTD	YTD	ITD*
White Falcon (net of fees)	**11.83%**	**-11.49%**	**-12.82%**
S&P 500 (CAD)	1.96%	-16.95%	-14.25%
MSCI All Country (CAD)	-0.35%	-18.56%	-17.35%
S&P TSX	-1.35%	-11.07%	-11.57%

*Inception date is Nov 8, 2021

The portfolio rebounded in the third quarter. Many of our companies reported strong results due to which their stock prices were re-rated higher in July and August. In September, macroeconomic concerns surfaced again which moderated our gains for the quarter. Commodity related businesses, including our precious metal hedges, did not perform well this quarter as a strong dollar, higher real rates, and recession concerns took a toll on underlying commodity prices. We used the sharp rally in July and August to raise some cash but deployed most of it by the end of the quarter as the market sold off again.

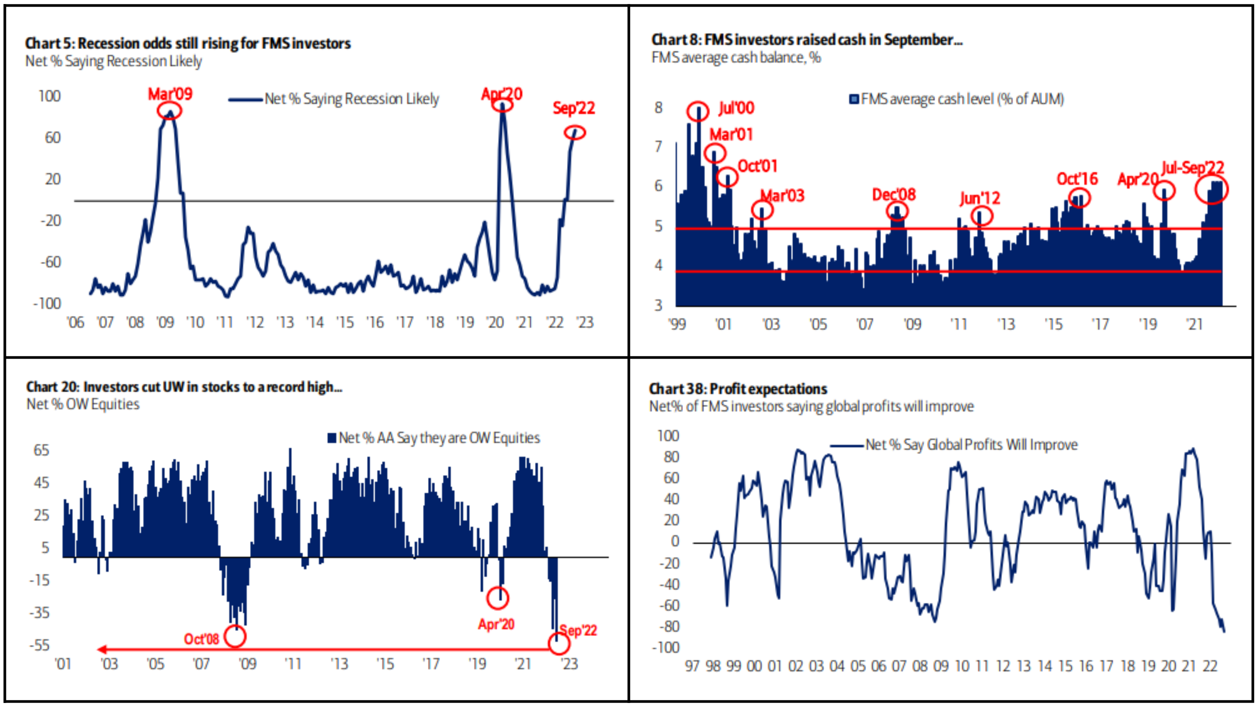
While we show other indices above, it is important to reiterate that we do not manage against any index. Our portfolio is an esoteric group of businesses where each company is underwritten based on expected returns and where risk is managed by buying good quality and growing businesses run by competent management teams. As value investors, we invest with a margin of safety. We are cognizant of the fact that '*what*' we buy and '*how much*' we pay for it are the only two factors we control. At the portfolio level, we manage exposures and maintain a mix of compounders, growth and value stocks as well as special situations depending on the opportunity at hand.

With disciplined application of this process, White Falcon's mission remains the same - to compound capital over the long term. Importantly, we are set up - culturally, intellectually, and philosophically - to increase the odds of meeting our goals.

We are in an exceptionally intense macro-economic environment. Inflation has proved to be stickier, due to which the central bankers have been forced to raise rates faster than previous cycles. This has led to and exposed many vulnerabilities in fixed income and currency markets.

As a result, equities have been on a roller coaster this year. With the exception of energy, all other equity sectors have been in a downward trend. In past market sell offs, government bonds would provide a ballast to a balanced portfolio, but this time, bond portfolios have led assets in destroying investor wealth. In fact, this drawdown has been one of the worst for investors as there were very few places to hide.

All this has led investors to adopt a very cautious stance as we see in the charts below:



Source: Bank of America

Let's look at each chart in a clockwise sequence starting at the top-left:

- Investors expect a recession in the near future. These investors also expected a recession in April 2020 and March 2009 - periods that were the end of bear markets;
- Due to these fears, they have raised cash in their portfolio's to levels that have marked previous market bottoms;
- Market commentators believe that the markets will go down further on earnings weakness. We believe markets are forward looking due to which these expectations are likely already reflected in the stock prices;
- Investor holding of equities is the lowest it has been over the last 20 years including at the bottom of the Great Financial Crisis (GFC) in 2008.

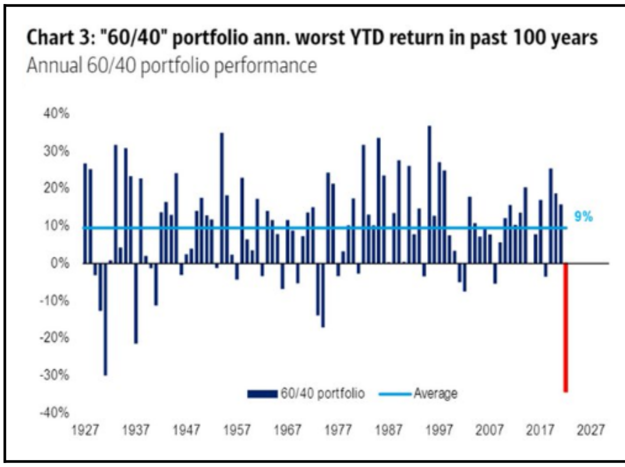
We observe above that in previous periods, investors panicked at exactly the wrong time. They raised cash and went underweight equities at a time when they should have been fully invested.

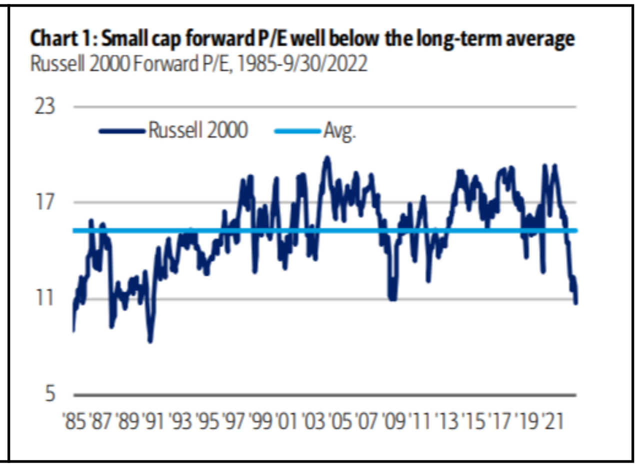
While these cannot be used as precise timing tools, we know that markets are forward looking, and the balance of probabilities tip towards a better risk/reward from here.

“There are two kinds of forecasters: those who don’t know, and those who don’t know they don’t know”

- John Kenneth Galbraith

The above results also communicate the folly of forecasting. It is very difficult to forecast markets due to the high number of variables involved as well as endogenous and exogenous shocks - both positive and negative - that manifest themselves from time to time.





Source: Bank of America

We, at White Falcon, make our investment decisions with a very different metric - valuations. When valuations are so attractive that we can underwrite high quality businesses at high rates of return, it probably means that we should be deploying capital.

“You make most of your money in a bear market; you just don't realize it at the time.”

- Shelby Davis

To be clear, it does not mean the discounts cannot get larger, they definitely can! But, the market has already experienced a very deep drawdown - from their peaks, S&P is down 25% and Nasdaq is down 35%. After a decline of this magnitude in the markets, deploying capital has had a good historical record of producing high forward returns over the long term.

However, human nature abhors uncertainty. Market gyrations take an emotional toll on the best of us. In times like these, it is important to realize that what we actually own is partial interests in businesses and not tickers on a screen that go up and down everyday.

"The key to making money in stocks is to not get scared out of them."

- Peter Lynch

Should the owners of a neighborhood convenience store sell their business because CPI came in a little hotter than expected or if the Fed is expected to raise rates at 75 bps instead of 50 bps? No! Similarly, White Falcon's portfolio contains some wonderful businesses but Mr. Markets marks them up and down every day based on his mood. This volatility in stock prices far exceeds volatility in the revenues and earnings of these businesses. Given the negative sentiment and investor positioning, it may not take much positive news for Mr. Market to be back in a more jovial mood.

Portfolio

The top 5 positions in the portfolio remain the same since the previous quarter - Precious Metals royalty basket, Converge Technology Solutions, NU Holdings, Amazon.com, and EPAM. Not much has changed since last quarter and we request readers to see Q2 commentary for the thesis on each holding. Earnings for portfolio companies largely surprised to the upside due to which we saw strong performance in Q3. At the margin, we deployed more capital to our commodity holdings which had weak share price performance in September. Not by design, but the portfolio is now roughly one-fourth compounders, one-third small to mid cap technology companies and one-third commodities producers including our precious metals royalty position.

Reasonable investors are worried about earnings and high interest rates.

While most investors are expecting earnings to disappoint, White Falcon has a different view. Your portfolio manager has extensive experience analyzing businesses in emerging markets - countries that regularly flirt with inflationary pressures. In these economies, good quality businesses are adept at growing earnings on a *nominal basis*. Revenues are usually a function of price and volume and have the potential to get a boost from price increases if the business is able to pass inflation to their customers. While there will be pressures on raw materials (which are now declining) as well as other operating expenses (labor inflation is proving to be sticky), many businesses have operating leverage (sometimes this lags a quarter or two) that allows them to grow earnings - on a nominal basis.

Importantly, we believe high rates do not spell the death of equities. Well capitalized businesses can grow and have grown in the past when interest rates were even higher. Stocks have, in fact, risen in previous periods of increasing rates as it was taken as a sign of a strengthening economy. Higher rates do mean that businesses with leveraged balance sheets that borrowed at variable rates are vulnerable. This too can work in the favor of a stock picker. For example, we recently bought a position in a business whose only other competitor has a net debt balance sheet with variable interest rate that now averages 13% per year! Imagine how easy it becomes to compete with this company.

"If we are right about the business, the macro factors are not going to make a difference; and if we are wrong about the business, the macro factors are not going to bail us out"

- Warren Buffett

Let us give you another example. In 1972, when the market was at its peak, Berkshire Hathaway bought See's Candy, a business doing about $4 million in pre-tax profit, for $25 million. In 1982, after a decade of persistently high inflation and two ugly bear markets, See's produced a pre-tax profit of $62 million. See's Candy was a good business that was able to pass on price increases to its customers and did not need significant re-investment in its business. At the same multiple of pre-tax profit, in 1982, this business was worth close to $400 million - a 15x increase from the price paid in 1972.

We will inevitably make some mistakes but we remain confident that our group of companies will perform well over the long term. I encourage current and prospective partners to talk to us about our portfolio of businesses.

Other

In December 2021, we wrote a blog post titled, "*Investing amidst a bubble*" in which we wrote the following:

"We understand that, as long as disinflationary or deflationary impulses exist, the central banks have unlimited power and that there is an ultimate floor under asset prices. But, central banks' ability to support the market weakens if high inflation persists as an intervention with lower rates or more QE causes even more inflation."

The central bankers have withdrawn the 'Fed Put' due to which asset market volatility has increased. We believe the greater concern is not the extent of these moves but their velocity. If rates rise but do so at a measured pace, market participants get time to calibrate their positions. However, a sharp change in market regime often causes accidents. We are seeing this with the Bank of England being forced to backstop their bond market.

Partners and prospective partners have often asked us about our precious metals position. We own that position for times like these. It is very difficult for us to forecast what happens next but we can protect ourselves from the extreme scenarios by holding some protection. In the **appendix to this letter,** we lay out our case for precious metals.

Last quarter, we sent an appeal to partners and prospective partners to add capital to their accounts. I added to my accounts at White Falcon which has, so far, proven to be a good decision. We reiterate our call to add capital as the opportunity is as attractive as it was last quarter!

We welcomed two new partners this quarter. We thank them and all our other partners for their trust and confidence in White Falcon.

Please feel free to get in touch with me for any questions or feedback that you may have.

With gratitude,

Balkar Sivia, CFA
White Falcon Capital Management Ltd.

WHITE FALCON

CAPITAL MANAGEMENT LTD.

INVESTMENT PHILOSOPHY

White Falcon's mission is to compound capital on a risk adjusted basis with a value investing philosophy.

We believe in active stock picking and draw inspiration from the teachings of Warren Buffett and Charlie Munger.

Our process is to take advantage of volatility and opportunistically invest in good quality and growing businesses that have durable competitive advantages and are run by aligned management teams.

With our research intensive strategy and a mandate to invest across geographies and sectors, we are focused on generating absolute returns.

We invest with a margin of safety. We are opportunistic and price sensitive buyers of securities.

NO MANAGEMENT FEE

Incentive fee of 15% on profits, with a high water mark - inspired by Warren Buffett's partnership structure

ALIGNED

All general partner capital invested alongside limited partners capital

EXPERIENCED

Balkar has 15 years of investment management experience. He was a Vice President at Burgundy Asset Management and an Analyst at McElvaine Investment Management. He is a CFA charterholder and has an engineering degree from UBC.

SIMPLE STRUCTURE

Separately managed accounts (SMA) with Interactive Brokers. Full transparency on portfolio and balances. No leverage. Minimum investment of $50,000.

DIGITAL ONBOARDING

Three step onboarding starts with filling out the 'Invest' form on our website

INVEST WITH US

https://www.whitefalconcap.com/invest
416-770-6131
bsivia@whitefalconcap.com

Appendix: Precious Metals Royalty Hedge

As investors, we constantly evolve. When I started my investing journey, I devoured everything written by Buffett and Munger. It all made sense to me because it all made sense to them - and they were my heroes.

"Gold gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."

- *Warren Buffett*

If you dig deeper, Buffett is really saying that you can exchange your dollars for gold or you can exchange your dollars for a productive asset such as farmland or an operating business. With the latter, you get some yield from the investment with which you can then buy more farmland or operating businesses and thus compound your capital. Snowball. If you buy gold, it provides no income and instead you have to pay someone to store it for you so it, in essence, has a negative yield. Made perfect sense! Hence, I never spent any time thinking about gold or gold linked-investments.

In 2018, I heard a Tony Deden interview on YouTube. Grant Williams conducts a beautiful long form interview in the Swiss Alps where Tony opens up about his investment philosophy; a large part of which involves owning physical gold as well as gold related equities. When asked about holding gold vs. cash, he said the following:

"This reserve can be in the form of treasury bills, commercial papers, short term bonds or time deposits. The problem with these so-called 'paper assets' is that they are actually debt. So you do not want your liquidity to be somebody else's liability. Physical Gold solves that problem. Gold gives ***scarcity, permanence and independence*** *from the financial system..no one actually owes you anything when you hold gold. It's not a claim on anything. - has a sense of peace to it as it possesses a financial strength that even some financial institutions can't boast about."*

- *Anthony Deden*

Reminded me of a JP Morgan Quote I had seen a long time ago,

"Gold is money, everything else is credit"

- JP Morgan

Tony had started buying gold after the GFC. That episode, and the subsequent central bank interventions, shook his faith in the financial system and he wanted an asset that was outside the system. I think it shook everyone's faith but as soon as the markets normalized and we saw our accounts get back to par, we forgot about the fact that none of the problems which led to the GFC were fixed. The opposite, in fact, occurred. The Fed was now ever so powerful and intervened in the economy on a regular basis to keep its wheels greased.

We have had recurring crises since 1987. In each and every subsequent crisis the Fed has increased its role and interfered to stabilize the system. The consequence of this policy has been that debt in the system has increased and increased and increased some more. Since 1982, bond yields have been declining with a trend of lower highs and lower lows. Every time these yields perk up, there is an 'accident' which forces the Fed to intervene with even more easing. In 2019, there was a repo crisis, the Fed fixed it with "not QE". In March 2020, along with the market melt-down, the credit markets came to a halt. Stopped. It was not until the Fed directly intervened in the corporate bond market that these companies could start rolling their paper again. Now, the Fed is raising interest rates. The risks of 'something breaking' are heightened.

Lets Invert.

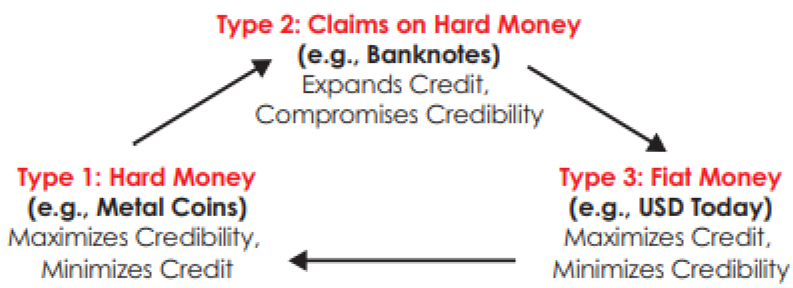
Imagine for a moment that the Fed could not get the credit markets to open. Imagine that, American corporations, big and small, could not roll their paper. A lot of astute investors in the world bought these wonderful stocks on dips because they were cheap based on the calculations of earnings power. One question one might ask oneself is - what is this earnings power in a world where you cannot issue or roll over debt? What is the 'bear case earnings power' in that situation? Even if you do a well placed purchase of a good quality company with a net-cash balance sheet - what about their customers, their suppliers, their employees? It's all connected!

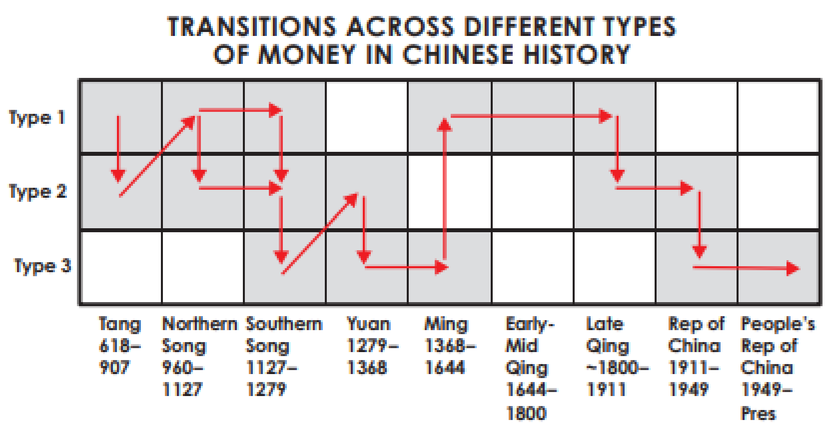
<u>The Macro Picture</u>

Gold has been money for millenia. It's malleable, durable, has appealing physical properties, and is long-lasting. Notably, it is one of the most historically consistent assets a person can own. The USD, in its current fiat form, only started in 1971 when President Nixon severed its gold backing. In a Gold standard, a country that is more competitive in trade would sell goods for gold and accumulate more gold (this would then increase the value of its currency thereby bringing the trade balances back into balance over time). The USD was chosen at Bretton Woods in 1944 as it was the strongest economy with the most gold after profiting handsomely in WW2. Until 1971, USD was pegged to an ounce of gold at $35 and all other currencies were pegged to USD.

Governments have always found a way to run deficits and raise debt. Once over-indebted there are only three ways out: austerity, productivity, and inflation. Ray Dalio in his seminal work *Principles for Dealing with the Changing World Order* observes that the boom and bust of long-term debt cycles has been one of the most distinguishing and constant features of our monetary history, predating centuries and across all societies and governments. The way government's have been dealing with debts for milenia is the same way they are dealing with debt at present - inflating it away.

When all faith is lost in a fiat, something hard and tangible is needed in order to issue a new currency. This is illustrated below, showing that historically, monetary systems have cycled between “types 1, 2, and 3” money. When they fail, history has shown that monetary systems invariably revert back to hard money. For example, China since the Tang dynasty has reverted back to hard money based systems on three separate occasions following regime changes (see below). Another interesting example is Germany, which tried to issue a currency backed by its farmland after WW1 when it had depleted all its gold holdings.





Source: Principles for Dealing with the Changing World Order, Ray Dalio

For most people today who have never lived outside of the current financial system, it's hard to fathom an alternative one. For what it's worth, history tells us that every single one that existed before us has broken down at some point. The overwhelming point here is that gold is money and it is outside the financial system (and it seems wise to not assume that the current one would last perpetually…although the bet here is not of its demise).

Christopher Cole, a hedge fund manager, had written a wonderful paper called the Allegory of the Hawk and Serpent. In this paper, Chris argues that different portfolios are appropriate for different market regimes. The last 40 years have been some of the best for equity and fixed income investors. We have been on a supercycle fueled by demographics, ever declining interest rates, borrowings and spending by both households and corporates, China's accession to the WTO, cheap commodities, favorable regulations for businesses, and a relative decline in bargaining power of labor. In fact, I would go as far as saying that the Fed's free money policy was responsible for an industrial revolution led by technology companies. A lot of business models that are taken for granted today would not have been possible if money was not this cheap money. What if the last 40 years is an anomaly? What if the market regime shifts again? Is a 100% equity allocation the best path forward?

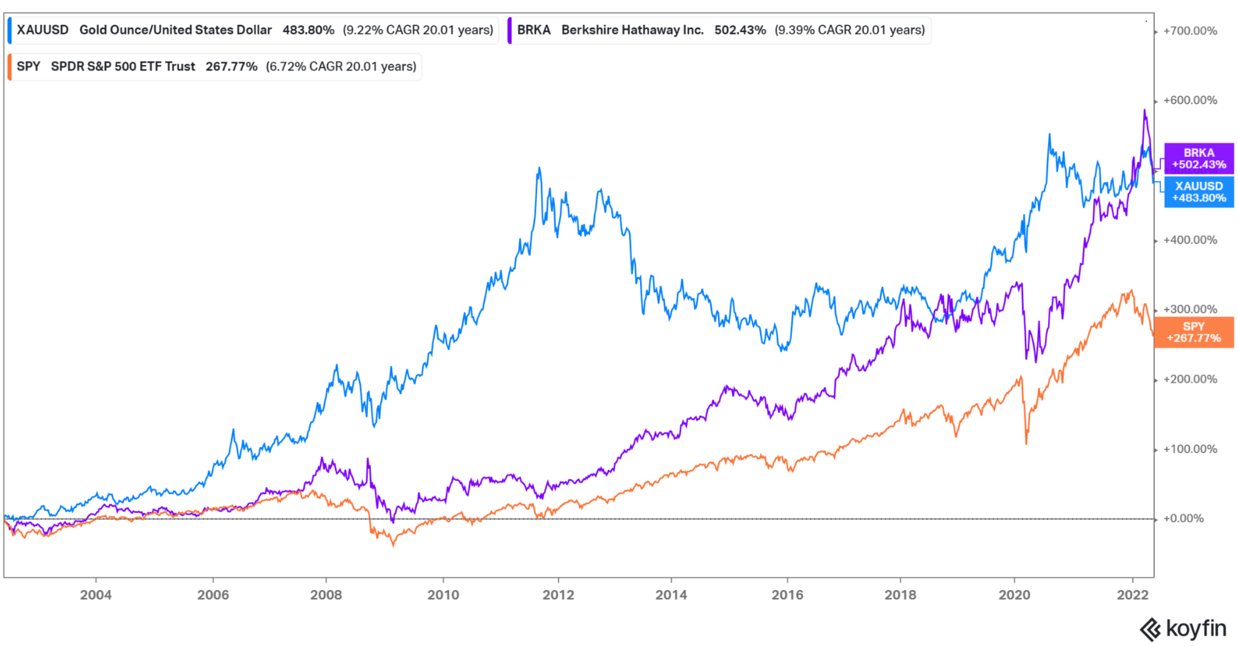
In fact, Warren Buffett wrote the following in his 1979 letter:

"One friendly but sharp-eyed commentator on Berkshire has pointed out that our book value at the end of 1964 would have bought about one-half ounce of gold and, fifteen years later, after we have plowed back all earnings along with much blood, sweat and tears, the book value produced will buy about the same half ounce. A similar comparison could be drawn with Middle Eastern oil. The rub has been that the government has been exceptionally able in printing money and creating promises, but is unable to print gold or create oil."

- *Warren Buffett*

For 15 years - the best capital allocator in the world only just kept up with gold! A barbarous relic that has no utility.

Also, while Berkshire has handsomely beat gold over its lifetime (and especially since 1980), the last 20 years have also been similar to the 1964-1980 period:



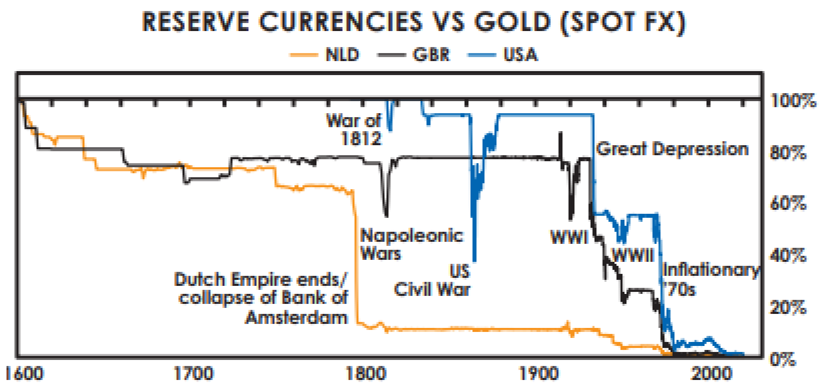
<u>Gold Fundamentals</u>

But, how do you value Gold? What is its intrinsic value? Without these, is it not just speculation?

The simple answer is that gold is a currency and should be valued as such. I can hold the USD as reserves or gold; but why would I pick one over the other?

The characteristics of USD are:

- The USD has unlimited supply (the Fed just printed or “created”) 80% of all USD in existence in the last two years.
- The USD has a yield. So we can invest for 5 years or 10 years in US treasuries at a certain yield that compensates me for the time value of my money. Many times, this yield is less than the prevailing rate of inflation leading to what some call financial repression.
- We can keep this USD at a bank where it is my asset but their liability. With the US's sanctioning of Russia’s reserves or the Canadian government’s freezing of trucker’s bank accounts means this liability does not have to be honored (First they came for the…..)



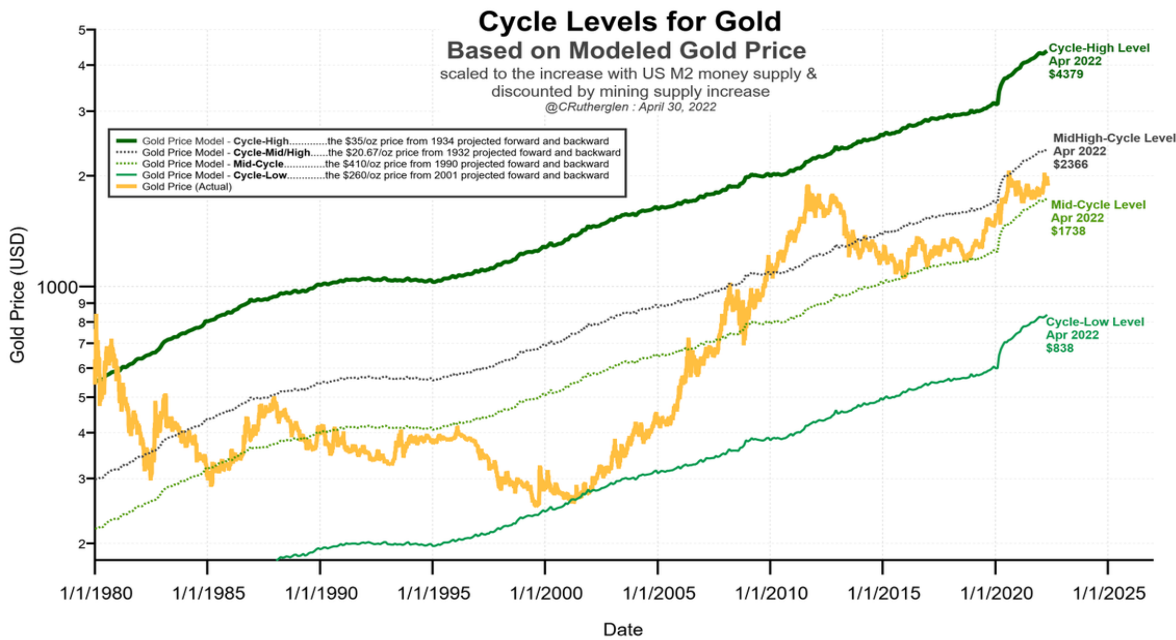
The characteristics of Gold are:

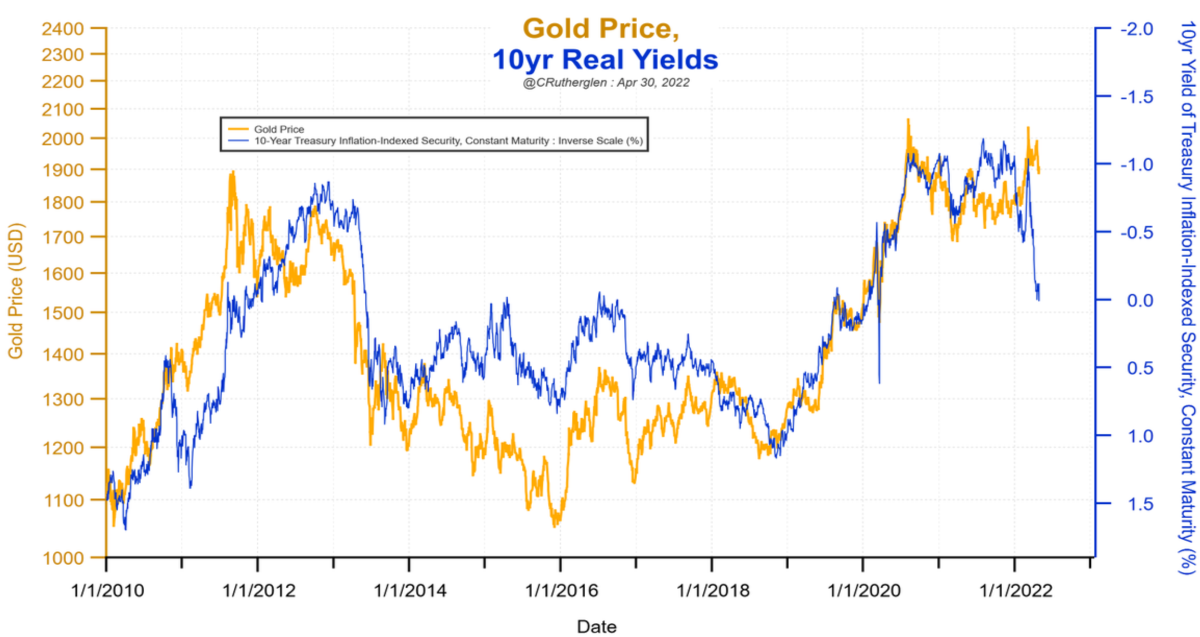
- Gold has limited supply increase of about 1.5-2% per year on average. There is constant demand for gold from jewelry and central bank purchases of gold.
- Gold does not have a yield and in fact demands some costs for safe keeping. For simplicity, let's assume that the carrying costs are zero.
- There is no counterpart here. The whole world can go bankrupt or the financial institutions can refuse to pay their claims but one’s claim to the gold is not threatened.

Like any currency, gold moves up and down based on the relative real yield difference. If real yields - yields on a currency’s bonds after factoring in inflation - are positive then there is no need to own gold and one should own that currency instead. However, if the real yield on the currency’s bond is negative, owning gold makes a lot of sense. In this sense, gold can be seen as a zero coupon bond in its own special currency that can only increase 1.5-2% per year. There is a myth that gold is an inflation hedge. It is not! Gold is a financial repression hedge.

Back to the chart of declining yields for the last 40 years. Currently, market pundits have determined that Fed fund rates need to go above 5%. The yields on 10 year and 30 year bonds have gone over their previous highs. This has NOT happened in the last 40 years as each time yields looked up, something broke. With the BOE having started QE again, somethinging is breaking. If the Fed persists in rising rates, then the most likely scenario is - > Fed raises rates - > something will break - > long term yields turn down - > real yields will become more negative. On the other hand, if the Fed does not tighten enough and absolute levels of inflation remain high then too, we'll have negative real rates. We would argue that gold is in a sweet spot.

Chris Rutherglen (@crutherglen) has done some modeling and finds strong correlations with the growth of M2 (deval of USD) and Real rates (financial repression).





You can pick the starting point that you want but gold has done well in preserving wealth. As per research from Christoper Cole, Gold has outperformed the US equity markets since it was de-pegged by President Nixon in 1971. Gold has also beaten the S&P since 2000. Now, we can use another starting date but that is not the point. The price action of commodities leads to sharp tops and rounded bottoms unlike equities which have sharp bottoms. The panic in commodities (be it Gold in 1980/2011 or Oil in 2007) is on the upside. This means that a patient accumulator of gold has a greater time period over which he/she can accumulate a position at satisfactory prices. A dollar cost averaging approach towards gold would have produced very decent returns compared to the S&P over any time-period.

Further to this, the core characteristics of gold are particularly highlighted during a market event. Gold is seen as a 'safe haven' asset. A part of this is its historical role as no-one's liability but another part of this is the very predictable sequence of - crises -> more money printing/lower rates -> lower real rates - which help gold prices do well in and after crises. Gold does sometimes go down initially in order to meet margin calls but is one of the first assets to rebound. Here is a chart showing Gold's performance compared to the S&P during major market prices.

<u>Investing in Gold</u>

As argued above, this is a macro heavy environment. There are a lot of things that I do not understand and remain difficult to forecast. Should I not have some 'schmuck' insurance in the portfolio? What better way than to own some gold!

I have to not just think about growing our capital but also preserving it against risks such as fiat devaluation, systemic risks from Fed interventions, and a regime change in the market where equities do not protect purchasing power. A small allocation of gold in the portfolio, I figured, would help hedge against these risks.

Buying physical gold bullion and storing it at a trusted location is the best hedge. As a portfolio manager that manages separate accounts for clients, I cannot do that. The alternative is an ETF such as GLD that issues units based on physical gold in its vault. I personally do not trust GLD and am worried that it may not adequately perform its role when push comes to shove (see LME/Nickel).

Gold miners provide the same upside capture during/after stressed events but are horrible businesses to hold for a majority of the cycle. Having said that, it is important to mention that gold mining executives have learned from their mistakes over the last cycle and have significantly cleaned up their balance sheets. These executives are prioritizing capital returns over new capex just like the oil and gas sector.

My preferred vehicle is precious metal royalty and streaming companies. Interestingly, they also meet my Buffett-esque yearn for yield (and compounding)!

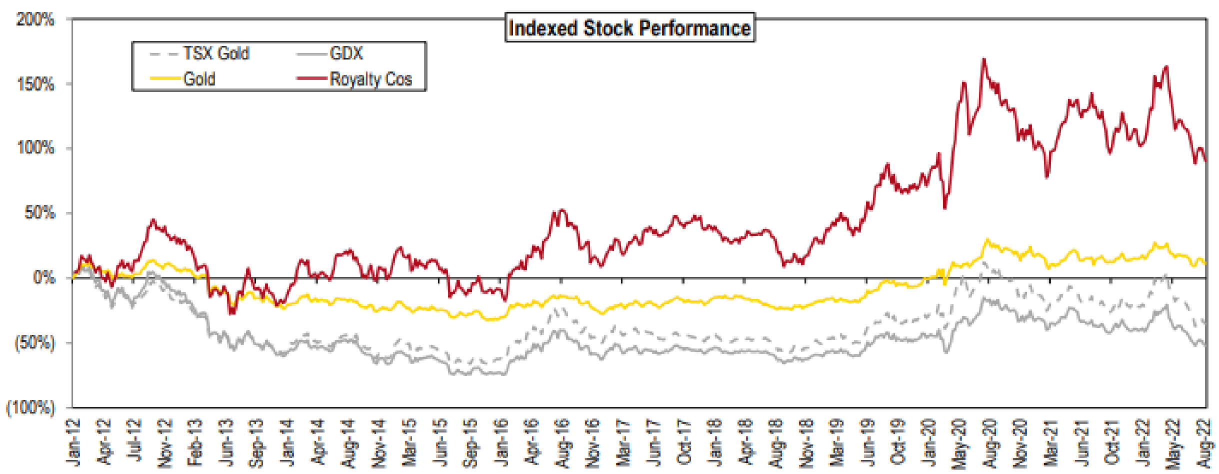
Precious metals royalties companies are businesses that lend capital to a mine in return for a royalty or stream on the precious metals produced from that mine.

There are three arbitrages here;

First, mining is a tough business. It takes years to explore for minerals, conduct feasibility studies, and finally build a mine. All these activities require cash with the aspiration that one day the mine will enter production and generate free cash flow. There is a cash flow mismatch. Equity or debt capital are not suitable due to which a royalty or stream is initiated which provides the mine operator capital to explore and build the mine while incurring no cash flow mismatches.

Second, a lot of gold and silver is actually a by-product of base metal production. A base metals miner can 'sell' its gold and silver to royalty companies in exchange for cash upfront which helps lower their risk and cost of capital on their core business. No extra points for a copper company producing gold!

Third, investors value royalty cash flows at a much higher multiple compared to operators which has led mining companies to spin-out or sell their royalty portfolios to independent companies.



Source: CIBC

Over the last 10 years, royalty and streaming companies have outperformed the broader group, including the GDX and the TSX Gold Index

The precious metal royalty sector is synonymous with Franco Nevada. It is worth highlighting Franco and its origin story.

Franco Nevada was founded by Pierre Lassonde and Seymour Schulich in 1982. Seymour had some oil and gas experience and had seen royalty arrangements in that sector. Pierre was a portfolio manager of a precious metals fund in Toronto. The young partners had an interest in

Nevada where the last major lode-type gold discoveries had been made some 80 years prior. In 1985, through happenstance, they came across a royalty on 3,416 acres of ground in Nevada. The owner wanted out for $2 mn. The project was eventually taken over by Barrick Gold (then known as American Barrick) which began an exploration program, ultimately delineating what has become one of North America's largest gold deposits. Franco-Nevada was sold to Newmont in 2003 for $3 billion. It is important to remember that gold prices peaked in 1980 and declined until 2000 and during this time, Franco Nevada was able to build significant value starting with an initial investment of $2 mn. In 2008, Newmont IPO'd Franco Nevada and it became a listed company for the first time. Since its IPO at C$15.20 per share the stock has been a compounder, recently closing at C$180 per share. Even from the gold peak in 2012, FNV stock price is up 3.5x.

That original Nevada mie has since produced over $2 bn in cash flow for Franco Nevada - a 1000x return. A hedge that compounds!

Some basics on royalty companies:

- A royalty is usually structured at a % of annual production where the royalty company has no obligation but to cut the cheque every year
- A stream is a contract where the mine operator contracts to sell the precious metal output at a certain price (or a certain discount to spot) to the royalty company
- The attractive part of a royalty deal is that it is usually perpetual. This means that if the mining company keeps spending capex to increase supplies from the mine, the original royalty holder keeps getting paid! Due to this, it is a better inflation hedge compared to a mining company which will have inflation in its labor and equipment.
- A royalty company is no different than an asset management company. Long term success of the venture depends on the capital allocation prowess of the management. With loose monetary policy, royalty deals have been written at very low IRR's or with unfavorable clauses such as buyout provisions.
- The mining sector values projects and mining companies on a NAV basis. This is bullshit. The NAV is calculated at a discount rate of 5%! The royalty companies are essentially a 10 people operation with a core team that is underwriting investments with the capital they have at their disposal. Over time, this deployed capital should return cash flow and that is the only way of (a) judging management, and (b) valuing these businesses.

While Franco remains the gold standard, there are other companies such as Wheaton Precious Metals, Royal Gold, Triple Flag (sponsored by Elliott) among others that also hold high quality royalties and streams on various mines around the world. These are high quality companies that can be owned as a hedge in the portfolio or to outright take advantage of higher precious metals prices.

Over the last five years, trading multiples for the royalty and streaming companies have reached as high as an average of 2.5x P/NAV and 29x P/CF when the gold price approached $2,000/oz.

However, at today's spot prices, the royalty and streaming peer group trades at ~1.6x P/NAV and ~19x P/CF which is at the lower end of their historical range.

Royalty and streaming companies provide investors with exposure to a highly diversified asset base shielded from operating and capital cost inflation, provide stable and consistent returns, and are relatively inexpensive at today's prices compared to historical peaks, making them an attractive investment.

Disclosure: White Falcon has positions in many of the companies mentioned above. This is not a solicitation to sell. We can be wrong in our analysis and encourage all readers to come to their own conclusions.