Primevestfund™ Manager Report **March 2021**

Our last commentary outlined the recent tactical portfolio shift encompassing the allocation to modest positions of smaller companies that would benefit from the current distinctive fund flow environment. This strategy has paid off, contributing to one of the highest historical monthly returns in the Fund this quarter. While some of these investments have been monetized, others have not since they still have large upside potential, though they will of course be exposed to quick and capricious changes in market sentiment due to their less liquid nature.

The environment and climate change are major themes that are resonating with market participants (especially as the Biden Administration heavily promotes its "The Green New Deal"). While Electric Vehicles are a central focus of this theme, ancillary areas in battery storage, infrastructure, and other energy generation and distribution are creating a secular opportunity. Understanding battery chemistry is an important filter to determine where the best prospects lie. Several years ago, I spent some time with the Materials Engineers at Tesla's facility in Freemont, California. They presented their impressive technology roadmap followed by a detailed discussion about evolving battery chemistries. Importantly, the likely substitutability of various minerals in those chemistries highlighted the potential upstream mineral acquisition opportunities. Our networks and long experience as investors in the mineral extraction sector are creating unique and sometime exclusive opportunities to expose the Fund to some of these upstream trends. This quarter presented a good example as one of our long-term holdings related to this theme received a 70% takeover bid premium.

The Fund maintains a 30% holding in gold, a sector that continued to struggle this quarter. A few years ago, when cryptocurrencies and particularly Bitcoin arrived on the scene, there were suggestions that they may be substitutes for gold. While I felt that was implausible at the time, today we are seeing inaugural allocations to Bitcoin by large capital allocators, generally at the expense of gold allocations. While it is not a true substitute for gold, fund flows' obvious bucket to re-allocate to Bitcoin has come from gold. The major factor influencing gold price is the real yield and there is a strong correlation to the fluctuations in real yields. What then happens to gold and gold equities? My view is that gold prices will remain at reasonably elevated levels, around the levels they are today with potential spikes either way. The equities are in an interesting position, as the large producers have become good, sustainable, and accountable businesses. Some of these producers are now paying compelling dividends and will garner interest from longer term investors as the sustainability of these business models prove out. This strategy will be at the demise of exploration budgets for these producers. This will then, potentially create an analog like the old Oil and Gas Income Trust model that existed in Canada. This is where the Income Trusts would distribute a predictable income yield at the expense of a declining reserve base, then acquire smaller Exploration and Production companies to maintain or expand reserves. The most lucrative part of that model was for the entrepreneurs and associated investors that repeatedly started new E&P companies from scratch and built up to a production base of 5-10,000 barrels/day that would fit nicely into the mold of various Income Trusts. In that case, the gold exploration companies transitioning into developers then producers will similarly be the most lucrative part of the curve for the new realm of the gold sector, although the cycles will be a little longer for the mining companies by the very nature of the development process. We hold a few high-quality companies like these in the portfolio.

M&A has selectively been occurring, including our first meaningful takeover in the portfolio in some time. The environment is ripe for transactions to occur and as Covid restrictions start to loosen, we believe we will see a wave of consolidation occur in the mining sector with some of our portfolio investments as likely candidates.

At the end of the quarter, the Fund holds 0% cash and 12% in short positions.

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