PVI – The Global Investment Newsletter

09th of April 2021

Stocks

The stock markets have risen to record highs in the past few days - the S&P 500 broke the 4000 mark for the first time and the DAX broke 15000. If you look at the valuations of the stock markets in a historical context, they are now extremely expensive - a mirror image of a year ago when many stocks were available at discount prices in the middle of the Corona crisis.

Chart: Valuation standards of the S&P 500

Figure 1. Equity Valuations are at All-Time Highs

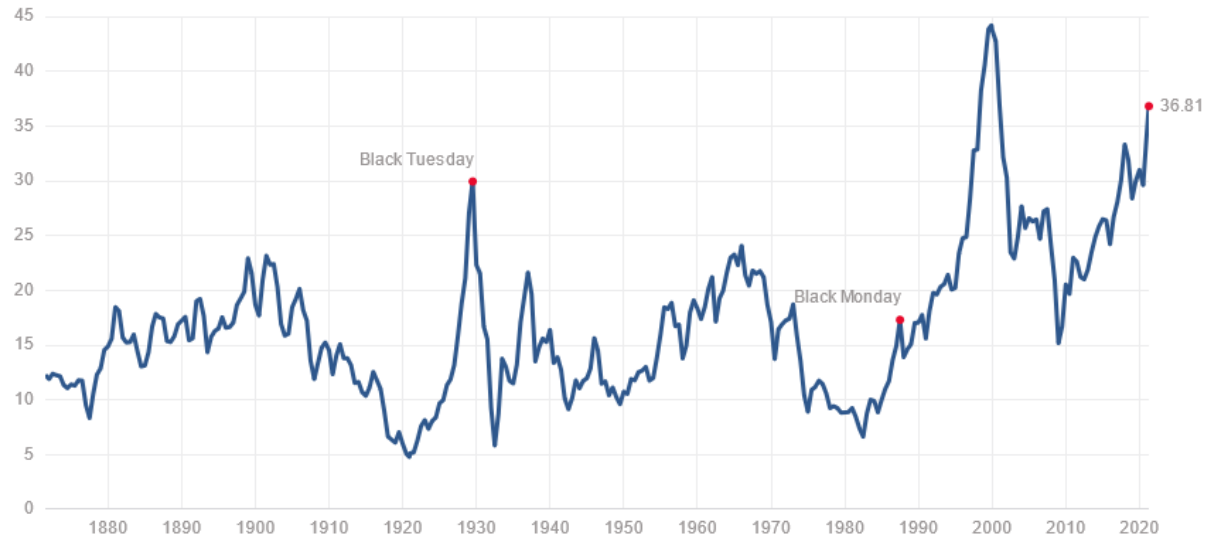
S&P 500 Valuations		
Model Factors	Most Recent Value	Historical Percentile
Median EV to Sales (Ex-Financials)	4.0	100%
U.S. Total Market Cap to GDP	170%	100%
EV to Free Cash Flow Margin-Adjusted (Ex-Financials)	48.8	100%
Median Price to Sales	2.8	100%
Median Price to Book	3.9	100%
Median EV to EBITDA (Ex-Financials)	15.0	100%
Aggregate EV to Sales	3.0	100%
Aggregate EV to Trailing 12M EBITDA	17.5	100%
Aggregate EV to 2021 EBITDA Estimate	15.9	100%
Aggregate Price to 2021 Book Value Estimate	3.8	100%
Aggregate Price to Tangible Book Value	12.8	100%
Aggregate Price to Earnings	27.9	98%
Cyclically Adjusted P/E (CAPE)	32.9	97%
Aggregate Price to 2021 Earnings Estimate	25.6	97%
Aggregate Price Book	3.9	91%

Source: Bloomberg, Yale/Robert Shiller, John Hussman. Data as of November 2020.

Source: www.sprott.com

The above data has become even more extreme after the further increase in recent months. Almost all of the indicators are now at historic highs. The bulls argue that these values are justified by the extremely low interest rates, low inflation, lack of alternatives, and the high, often monopoly-like quality of driving technology stocks. These points clearly apply, yet all of these arguments seem to us to be priced into today's prices.

Chart: Shiller-CAPE



Source: www.multpl.com

Above all, the risks are clearly overlooked here: rising interest rates as a result of a strong US economy and above all as a result of record-high budget deficits under Biden. A real risk is an increase in inflation as a result of the massive expansion of the money supply and as a result of the blank checks on the population. In addition, there is now also the prospect of increasing corporate taxes according to President Biden's plan.

While the big “FAANG values” are not in bubble ratings after a few quarters of consolidation, the bubble is mainly concentrated on the 2nd row in the Nasdaq and in the “SPACs”. The industrial and value stocks are no longer so significantly undervalued after the increases since November.

We therefore see that the stock market will experience a significant correction in the next few months. It should be noted here that there will be few value buyers at these levels once the charts are broken and momentum or technical investors pull out of the market. Therefore, we see a stronger potential for setbacks coming in the Nasdaq-100, it seems quite possible that prices will also be below 10,000 points in the summer (current status: approx. 13,800 Points).

The DAX and S&P 500 should do a little better, but we foresee significantly lower prices. A pricee correction of 10-15% should not surprise anyone here. We position our portfolios defensively - hold cash, put options. On the long side, investments in gold, silver and gold mines are very interesting - the valuations and sentiment are promising here.

The Tesla share was able to rise again with the Nasdaq for the past 2 weeks. We recommend building up new short positions here and see price targets at Tesla (current price 685 USD) of

570-580 USD in the coming weeks, in a few months the price could fall towards 450 USD. Corresponding put options on Tesla would be:

Short-term buy recommendation: Put options on Tesla (ISIN: DE000PF6LXU9, WKN: PF6LXU, term: May 21, 2021, base price 860 USD, price: 15.4 euros, issuer: BNP)

Target price: 20-25 euros, time horizon: a few weeks, stop / loss: 6 euros

Risk: high

The put has a subscription ratio of 10: 1 and a delta of -0.85. Therefore, a purchase of approx. 11.5 notes means that you are short 1 Tesla share: for every dollar that Tesla gives in, you gain approx. 1 USD (and vice versa).

Since the put options on the S&P 500 in the model portfolio were stopped out at EUR 1.00, we are now entering into new put options in the Nasdaq-100. The puts cost us some performance as the market continued to rise. With the puts on the Nasdaq-100, we want to secure the portfolio until September on the one hand, and on the other hand we also aim to achieve a positive performance contribution with these puts.

Buy recommendation: Put options on Nasdaq-100 (ISIN: DE000KE37885, WKN: KE3788, term: September 17, 2021, base price 15,500 points, price: 16.5 euros, issuer: Citigroup)

Target price: 30–50 euros, time horizon: a few months, stop / loss: 5 euros

Risk: high (use as a hedge can, however, reduce the risk of a portfolio)

The put has a subscription ratio of 100: 1 and a delta of -0.78. Therefore, buying around 125 notes means that you are 1 Nasdaq-100 Short: for every 100 points the Nasdaq gives in, you gain around 100 USD (and vice versa).

Precious metals

Gold tested the previous annual low at USD 1680 for the past few days, but then turned significantly upwards. We see this as positive; we assume that a turning point has developed here. We can see that the sentiment in precious metals is subdued, but the fundamentals are very positive.

The mood on the gold market could heat up significantly due to the official inflation data coming (from April / May), as inflation rates of over 4% in the USA and over 3% in Europe will be reported. The ECB and major US economists are also speaking of this. These figures could only calm down a bit in the autumn - this depends mainly on the further aid packages and cash injections.

Should the stock market tend to be weak, this could also trigger a precious metals rally, as an extension of the 0% interest rate policy would then be expected. We therefore have a very promising set-up on the gold and silver market. We could well imagine gold prices in excess of $ 2000 and silver prices in the range of $ 35-40 by the fall.

Conservative investors should therefore put **gold ETFs** (Xetra-Gold, Wkn: A0S9GB) and **silver ETFs** (Wisdomtree, Wkn: A0N62F) in their portfolios.

Buy recommendation: Silver ETF (ISIN: DE000A0N62F2, WKN: A0N62F, price 19.8 euros)

Target price: 25–35 euros, time horizon: a few quarters

Risk: medium

Medium-term silver options are very interesting for speculative investors. With a leverage of around 3 and a term until the end of the year, you can profit disproportionately from the silver.

Speculative buy recommendation: silver call option (ISIN: DE000PZ6T2N1, WKN: PZ6T2N, term: 17.12.2021, base price 18 USD, price: 6.5 euros, issuer: BNP)

Target price: 14–20 euros, time horizon: by autumn, stop / loss: 2 euros

Risk: high

Gold and silver mines

Investments in gold and silver mines and exploration companies also seem very promising to us at the current level. These stocks benefit from rising precious metal prices in particular when the general stock markets do not crash sharply, but at most give way. Exactly this scenario seems likely to us by summer.

For more conservative investors, the Goldminers ETFS are suitable:

Buy recommendation: VanEck Vectors Gold Miners UCITS ETF (ISIN: IE00BQQP9F84, WKN: A12CCL, price: 30.8 euros)

Target price: 40–55 euros, time horizon: a few quarters

Risk: medium-high

Buy recommendation: VanEck Vectors Junior Gold Miners UCITS ETF (ISIN: IE00BQQP9G91, WKN: A12CCM, price: 34.8 euros,)

Target price: 45–60 euros, time horizon: a few quarters

Risk: medium-high

In the speculative model portfolio, we want to include promising individual stocks:

Wallbridge mining

Wallbridge Mining is a promising junior miner who has the prospect of a potential gold mine of approx. 250,000 oz p.a. with the Fenelon gold deposit in Canada. In the last few years two more gold veins have been discovered in addition to an old mine - the so-called "gold grades" in particular are very high, so that one can assume here that a mine project could actually be started. The shareholder structure is particularly interesting here: the well-known Canadian gold investor Eric Sprott owns around 20% of the shares and probably plays the key role behind the scenes in the acquisition strategy (recent purchase of Urban Gold). In addition, a gold major company is involved in the shares (Kirkland Lake approx. 10%). Interestingly, Kirkland's Detour Mine is also not far from the Fenelon Gold Project. Both anchor investors took part in all of the last financing rounds - especially last autumn when prices were around CAD 1.15. After the price correction, the share is now available for only CAD 0.63, with the entire investment program for 2021 already well financed. We are

assuming that with further good drilling results and rising gold prices, the price should rise again to at least CAD 1.15 and that a takeover by Kirkland Lake (or another major) in the coming year would be conceivable.

Buy recommendation: Wallbridge Mining (ISIN: CA9323971023, WKN: 940769, price: 0.63 CAD)

Target price: 1–1.5 CAD, time horizon: 12-18 months

Risk: high

Troilus gold

Troilus Gold is also an exploration company looking to reopen an old gold mine in Canada. The Troilus mine was previously operated by Inmet Mining - only today's Troilus Gold operated further exploration of the material below and next to the previous mine. This confirmed a resource of over 5 million oz. The preliminary feasibility study speaks of a necessary capital investment of approx. 400 million to bring the mine back into operation. Since existing mine infrastructure and existing mining permits can be used, a resumption of this mine seems very likely. The feasibility study sees an IRR of 28% at approximately $ 1,600 gold. The CEO of Troilus is a former investment banker who also has excellent contacts with Eric Sprott. The valuation seems very low at only 140 million CAD.

Buy recommendation: Troilus Gold (ISIN: CA8968871068, WKN: A2JA0J, price: 1.09 CAD,)

Target price: 1.5-2.5 CAD, time horizon: 12-18 months

Risk: high

Ely gold

Ely Gold (market capitalization CAD 160 million) is a small, young gold royalty stock. This means that the business model is based on co-financing other mining projects and receiving a royalty (usually 1-5%) from gold mining sales. In addition, Ely Gold has several promising exploration concessions in Nevada, which Ely is selling to other explorers (against payment of a royalty). The cash flow breakeven should be reached in 2021 and further growth in new

royalty projects and rising gold prices should be able to drive this share back towards old highs.

Buy recommendation: Ely Gold (ISIN: CA2905221016, WKN: A2JSL0, price: 1.03 CAD,)

Target price: 1.8-2.5 CAD, time horizon: 12-18 months

Risk: high

News about stocks in the model portfolio and on our watch list:

Rafael Holdings

Despite our more defensive stance, we're sticking to Rafael. The preliminary data from the phase III study on CPI-613 (in metastatic pancreatic cancer) should be published in Q2. This should be able to give the stock a boost. The long-term prospects here are very good, so we accept the possible price fluctuations in a correction.

AerSale

At AerSale, we're going to cash in and watch the title for a possible entry. The reason is not because of the fundamentals of AerSale, but because AerSale is listed on the Nasdaq as SPAC. This constellation means that one could be affected by a correction on the Nasdaq. Long-term oriented investors can stay in this share, but have to expect fluctuations..

Conservative Model Portfolio: (starting value on 01/13/2021: 100.000 Euro)*

Performance 2021: +1,47%*

16.309	**Euro ENAV Spa (entry price 3,58 Euro, now 4,07 Euro)**
16.104	**Euro China Mobile (entry price 47,6 HKD, now 50,3 HKD)**
9.060	**Euro Barrick Gold (entry price 23,6 USD, now 21,2 USD)**
15.000	**Silver ETF (entry 19,88 Euro)**
15.000	**Gold Junior Miners ETF (entry 34,9 Euro)**
1.500	**Euro AT&T (entry 30 USD, now 29,9 USD)**
3.000	**Euro Verizon (entry 57 USD, now 57 USD)**
4.600	**Euro Nasdaq-100 Put-Optionen (entry 16,5 Euro)**
20.900	**Euro Cash**
101.470	**Euro Total Value as of 04/09/2021**

Transactions:

Purchase of Nasdaq-Put, Gold Junior Miners ETF, Silver ETF

Exposure through put option:

The Nasdaq put results in a short exposure of approx. 25% of the portfolio to the Nasdaq. Should the Nasdaq lose 10%, the portfolio would gain 5% and vice versa. This also serves as a safeguard.

In the conservative model portfolio, investments are presented which have a rather low-risk business and very strong balance sheets. In addition, stocks with high dividends are presented, since even the bond ETFs in the USA currently hardly yield any interest, or the risk of such an investment is even higher in the long term than a good selection of solid dividend stocks.

The expected returns will of course not be able to match the speculative portfolio. In general, we are satisfied with returns of 7-10% p.a. here, even more can be achieved with clever timing.

Speculative Model Portfolio: (starting value on 01/01/2020: 100.000 Euro)

Performance in 2020: +22,89%*

Performance year to date: +35,8%*

28.585	**Euro Rafael Holdings (entry 24,2 USD, now 41,0 USD)**
20.000	**Euro Silver Call-Options (entry 6,5 Euro)**
13.000	**Euro Wallbridge Mining (entry 0,63 CAD)**
13.000	**Euro Troilus Gold (entry 1,09 CAD)**
13.000	**Euro Ely Gold (entry 1,05 CAD)**
5.300	**Euro Natural-Gas Leveraged Certificate (entry: 0,51 Euro, now 0,53 Euro)**
15.000	**Euro Nasdaq-Put-Options (Einstand 16,5 Euro)**
58.965	**Euro Cash**
166.850	**Euro Total Value as of 04/09/2021**

Transactions:

Sale: AerSale at 12.4 USD, S&P 500 Put Options at 1.0 Eur (stopped out)

Buy: Silver call option at 6.5 euros, Wallbridge Mining, Ely Gold, Troilus Gold, Nasdaq put

Exposure through the options:

The Nasdaq put results in a short exposure of approx. 50% of the portfolio to the Nasdaq. Should the Nasdaq lose 10%, the portfolio would gain 5% and vice versa.

The silver call results in a long exposure of approx. 40% of the portfolio to silver. Should silver rise 10%, the portfolio would gain 4% and vice versa..

In the speculative portfolio, stocks are presented that have very high potential. However, the risks are also high - so investors should understand that not every speculation has to be successful up in order to earn a good return.

* We base the portfolio on a simplified flat tax of 25% (calculated after positions are sold). The exchange rate changes are taken into account in the values, but not shown above (for reasons of clarity).