CENTERSTONE INVESTORS

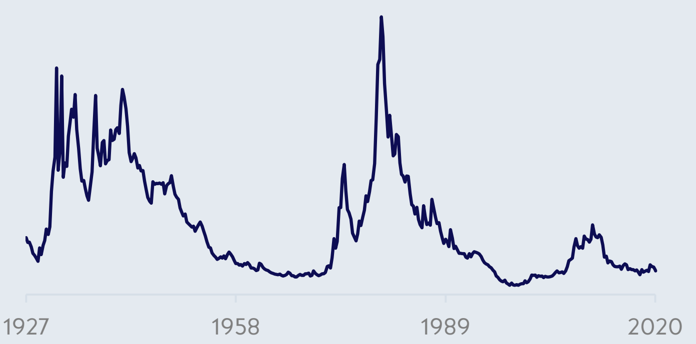
GOLD'S VALUE

"We look at the concept of margin of safety in two parts: The risk we can influence through diversification, research, communication with management, position sizing, etc. And the risks we cannot influence. Gold is specifically a recognition that as bottom-up fundamental investors there are risks that we are not able to manage, yet are unavoidably exposed to."

VALUATION REGIME CHANGES

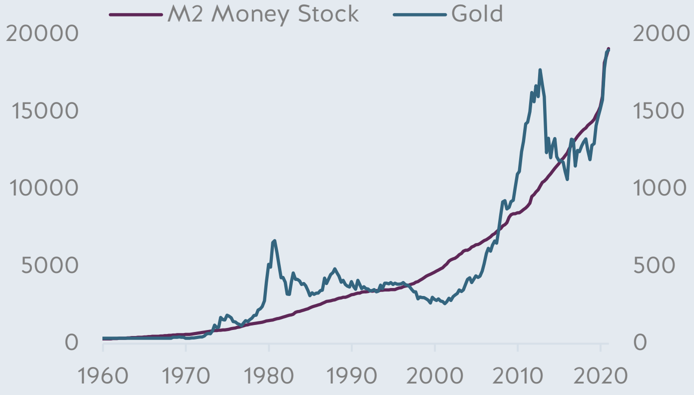
- One can make an argument that gold currently offers a cheap hedge against major stock market risk (i.e. regime change in valuations)
- This is based on the fairly low gold to S&P 500 ratio coincident with the high valuation environment that we see currently
- The last 100 years of US history is marked by periodic "regime changes" that lead to significant outperformance of gold
- Two of the most notable regime changes followed the Great Depression in 1929 and the decision to leave the gold exchange standard in 1971
- Regime changes are infrequent and probably impossible to predict
- When they occur, however, their consequences can be extreme–therefore, it pays to own protection just in case

PRICE OF GOLD RELATIVE TO THE S&P 500



Source: Bloomberg

PRICE OF GOLD RELATIVE TO THE US MONEY SUPPLY



Source: Bloomberg

CURRENCY REGIME CHANGES

- The supply of gold increases around 2% per annum, with sizable deposit discoveries few and far between
- Conversely, the Federal Reserve's printing press seems unlimited
- Gold prices tend to increase, over time, with the increase in the supply of paper money–the "value" of gold remains stable while currencies are devalued
- While the short-term correlation is not perfect, thanks to human investment behavior, we believe gold offers long-term protection against the tendency of monetary authorities to devalue their currencies

"As long as valuations remain where they are, the consequences (even if not the probability) of regime change is high. And as long as the Federal Reserve is forced to print money at this rate, gold provides a good alternative to other assets and certainly cash. That said we are not gold bugs. We do not believe gold has a specific intrinsic value, for us it acts as protection."

Important Risks and Disclosure:

The S&P 500 Index is a widely recognized unmanaged index including a representative sample of 500 leading companies in leading sectors of the US economy and is not available for purchase. Although the S&P's 500 Index focuses on the large-cap segment of the market, with approximately 80% coverage of US equities, it is also considered a proxy for the total market.

Gold is a metallic chemical element that has the form of a dense, soft, shiny yellow metal. Gold has been widely used as a vehicle for monetary exchange, either through gold coins and bullion, or through paper currency backed by gold reserves. The Gold spot price is quoted as US dollars per Troy ounce.

M2 Money Stock includes a broader set of financial assets held principally by households. M2 consists of M1 plus: (1) savings deposits (which include money market deposit accounts, or MMDAs); (2) small-denomination time deposits (time deposits in amounts of less than $100,000); and (3) balances in retail money market mutual funds (MMMFs). Seasonally adjusted M2 is computed by summing savings deposits, small-denomination time deposits, and retail MMMFs, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

Past performance does not guarantee future results.

The value of the Funds portfolio holdings may fluctuate in response to events specific to the companies or markets in which the Funds invests, as well as economic, political, or social events in the United States or abroad. The impact of the coronavirus (COVID-19), and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time.

Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced indices are shown for general market comparisons and are for illustrative purposes only.

International securities may provide the opportunity for greater return but also have special risks associated with foreign investing including fluctuations in currency, government regulation, differences in accounting standards and liquidity.

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