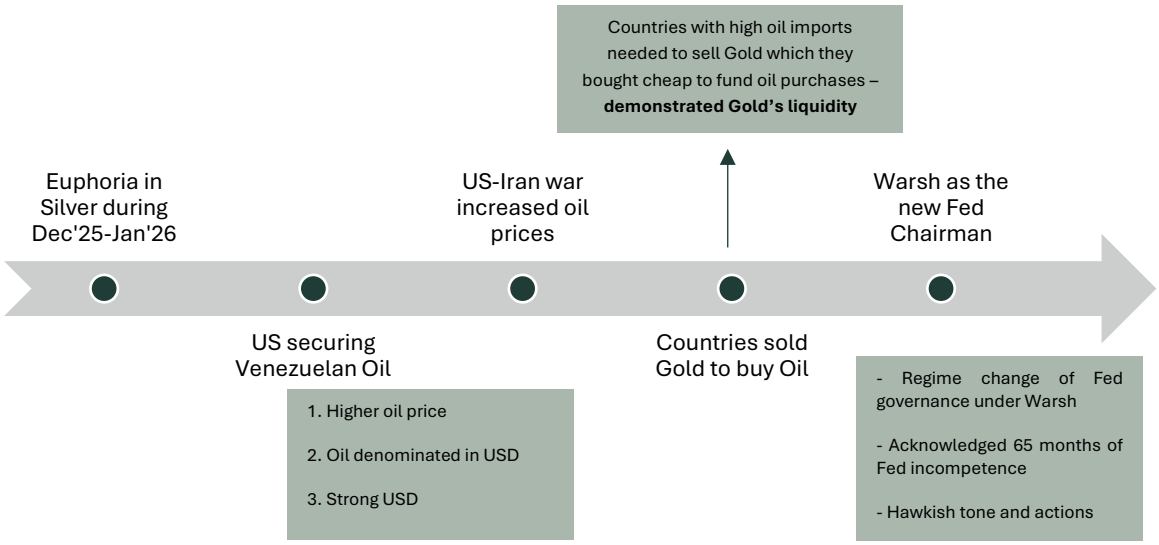
How we acted:

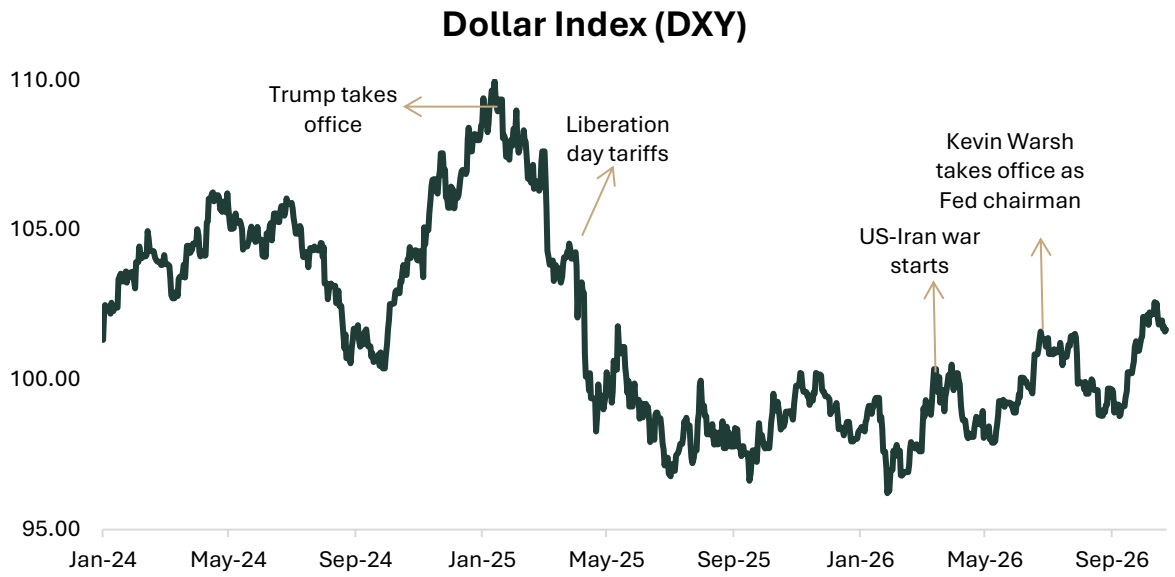


- At Pravia, we have always believed Gold to be the **Asset class of the Decade**. We are living in a world filled with extreme uncertainty – one which we don't expect to stop anytime soon.
- Although our long-term outlook on Precious Metals remains constructive, **we didn't believe the Bull run in precious metals was to be a one-way rally**.
- To help client portfolios navigate these tricky waters, we have made several allocation decisions regarding precious metals: **selling** in December 2025, **maintaining** allocations in May and September 2026, and **now turning positive** as staggered reallocation to precious metals.

Events that have influenced commodities:



Although all the events mentioned above were headwinds for precious metals in the short term, in the long-term none of the events solve the structural root of the problem – **an increasingly indebted world and deteriorating fiscals for the west**



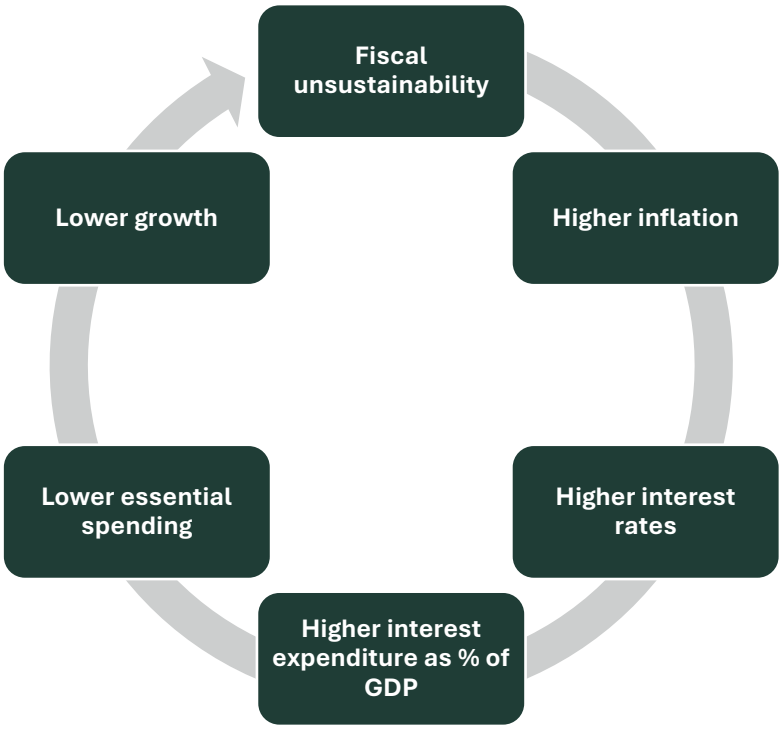
When the US-Iran war started, we expected Dollar index (DXY) to be stronger over the near-term. While the current trajectory for US interest rates is expected to be upwards, as markets are pricing in 2 rate hikes till March, 2027, we believe current levels are good to resume allocation to precious metals in a staggered manner.

Current View

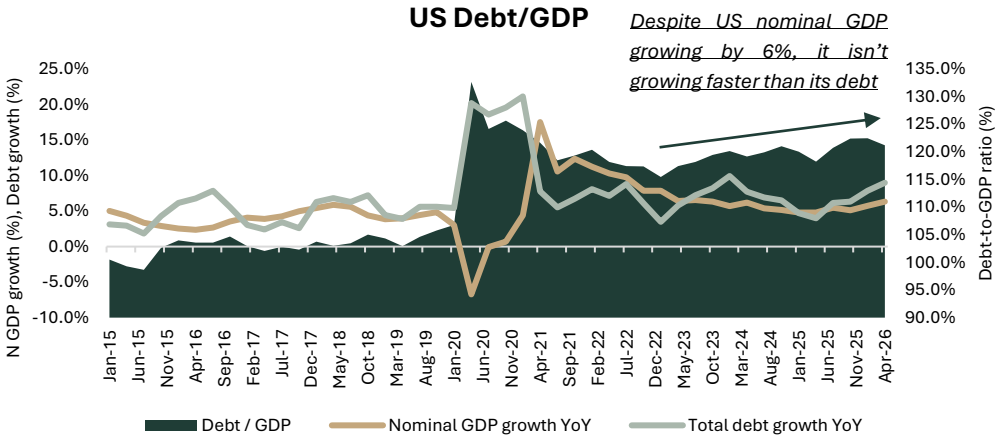
We can now go back to our **de-dollarization** theme:

- Previously, the driving forces of de-dollarization were Russia and China
- But now, there is additional pressure on the dollar by geopolitics and the US-Iran conflict

The West faces fiscal unsustainability:



US has debt/GDP of >120%:

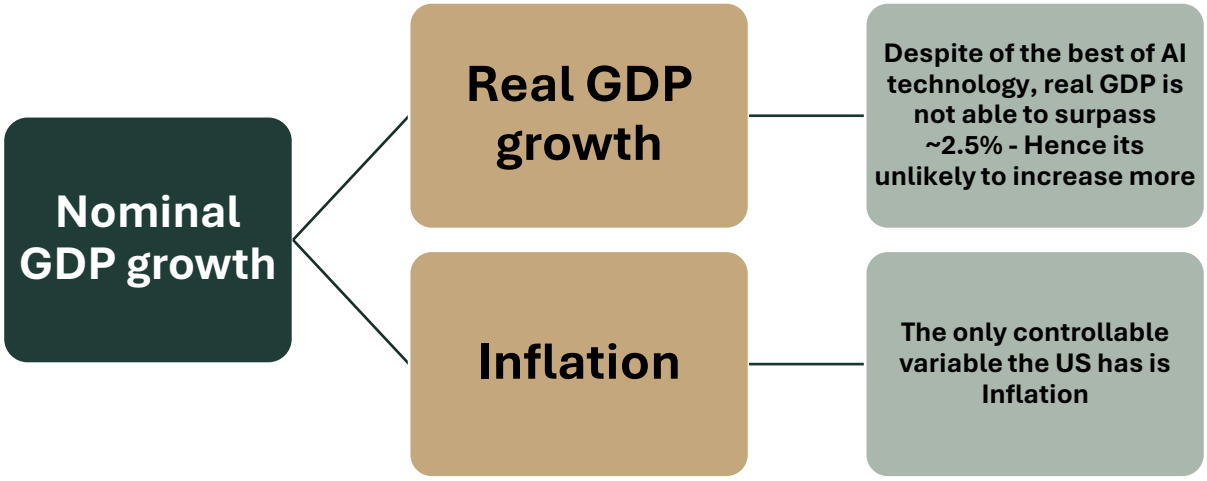


Source: FRED, Pravia Research

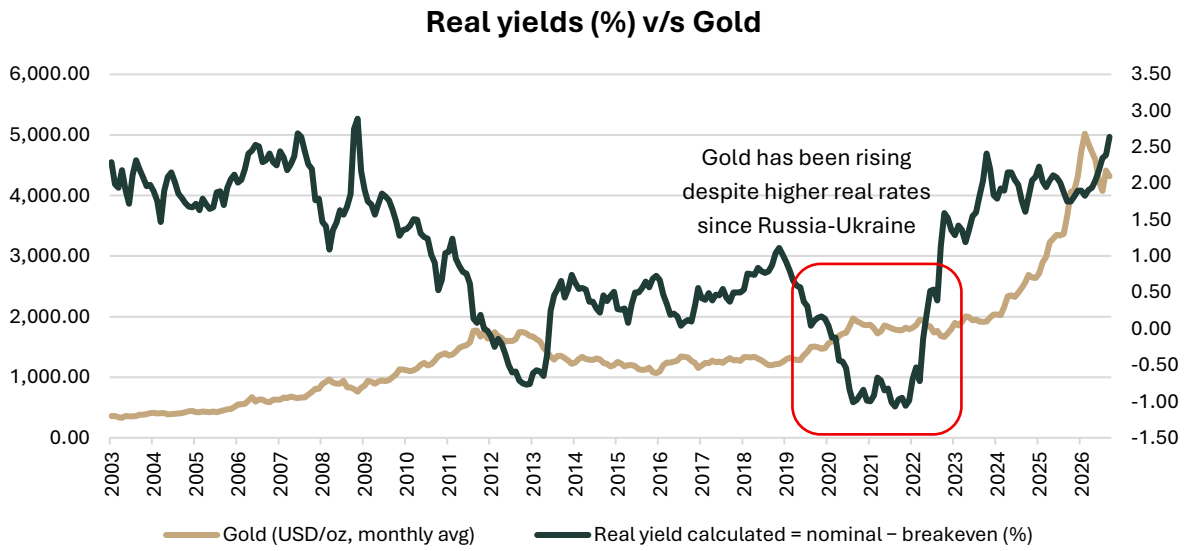
- **Countries cannot keep growing their debt faster than their GDP forever**.
- 5 years ago, the Congressional Budget Office (US government entity) projected interest payments to be USD 361 Bn, or 1.3% of GDP in FY2026.
- **The actual number for FY26 exceeds USD 1 trillion, or 3.3% of GDP**.
- By 2036, CBO projected **4.6% of GDP to be spent as interest payments**.

The solution is financial repression

The most plausible way to decrease such high Debt-to-GDP levels is to let the inflation run hotter, **letting real rates be negative**. If the US wants to decrease its Debt-to-GDP ratio, Nominal GDP growth needs to be higher than growth rate of debt – **the most realistic way to do this is to let inflation run high**



Gold rising despite higher real rates:



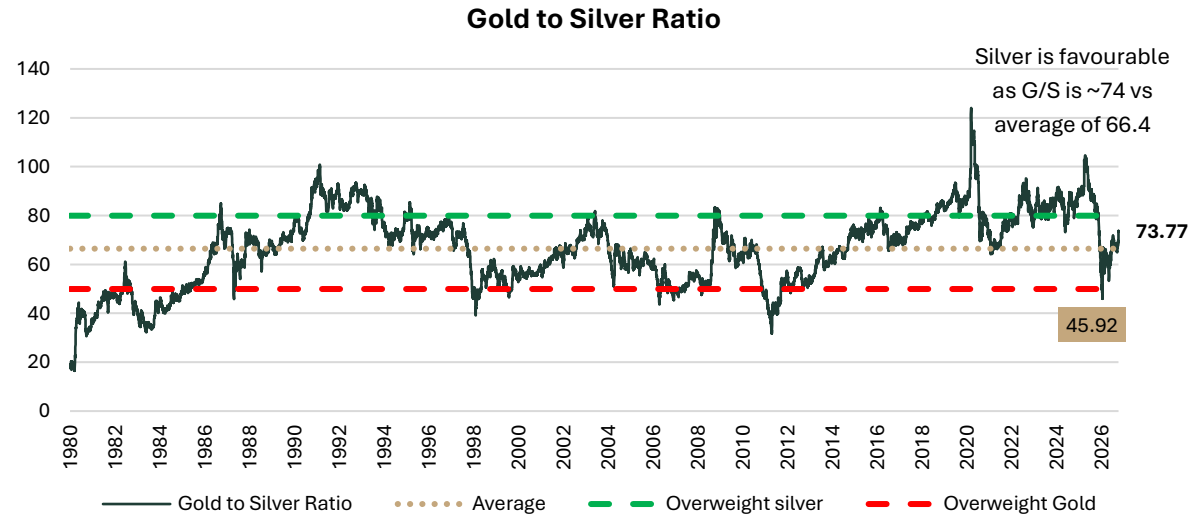
Source: Investing.com, FRED

Gold and Real yields historically have had an inverse relationship until 2022. Post the US sanctions on Russia, Central bank buying has accelerated, and *Gold has been rising regardless of whether real rates are positive or negative*.

This creates 2 possible scenarios for the US macro going forward:

1. Focus on decreasing inflation – Suppressing Nominal GDP and increasing Debt/GDP
2. Focus on decreasing Debt/GDP – Increasing Nominal GDP and increasing inflation

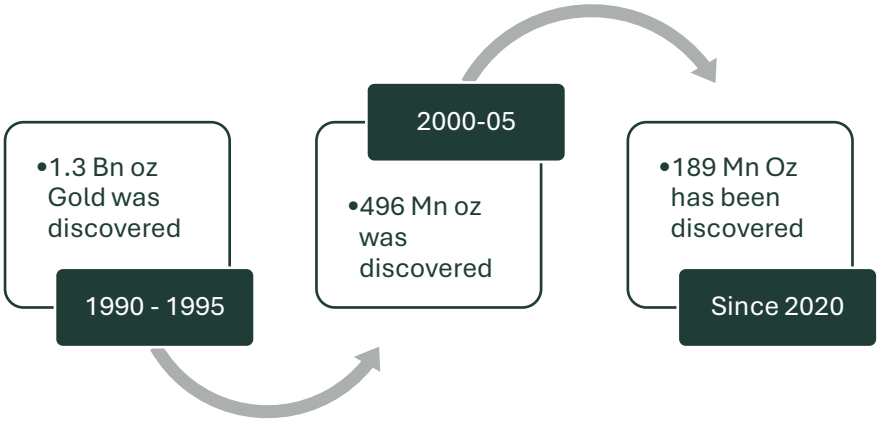
Statistical analysis:



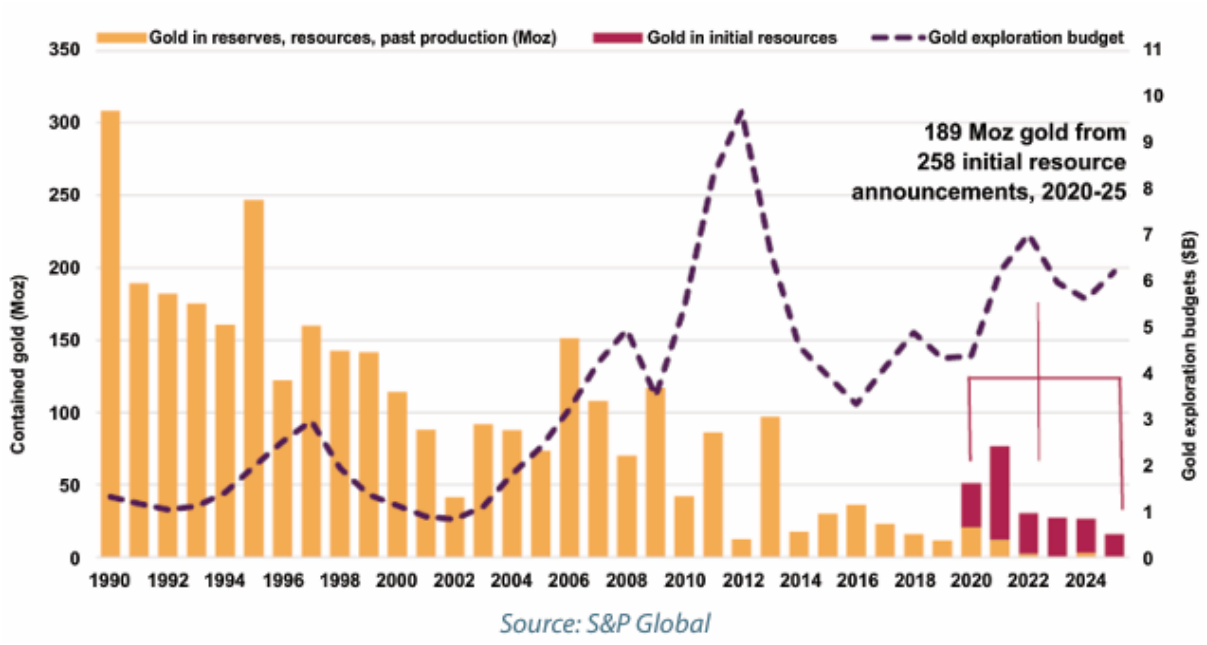
Source: Investing.com

Physical mining constraint

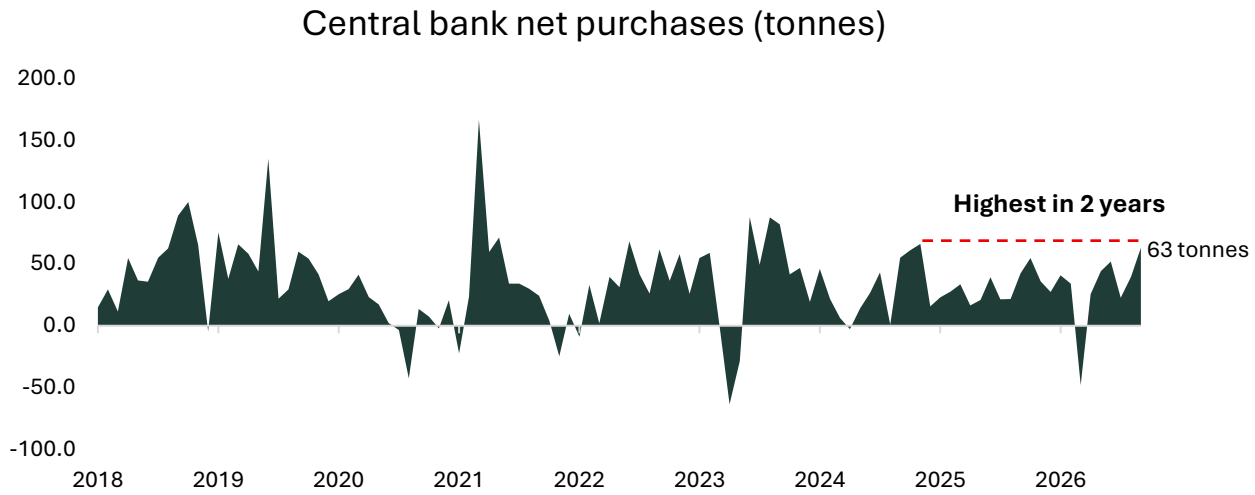
- Despite Gold prices being high, there hasn't been significant increase in Gold discoveries



Despite higher exploration budgets, production is lower:



Source: S&P Global



Source: World Gold Council, Latest Sept 2026 value is speculative

Our View

Central banks have purchased **most gold in a month in two years**. We believe central banks are using the correction from January's peak to add to reserves.

The cumulative pressure from Geopolitics, increasing debt/GDP and Physical mining output being lower are tailwinds for precious metals.

Hence, we are now turning bullish on Precious Metals – with a bias towards Silver. Our thesis remains intact –

- US, like much of the developed world, carries more debt than it can repay through growth alone. The path of least resistance is **financial repression** – keeping interest rates below inflation and nominal GDP growth, so that debt is eroded over the years.
- **Purchasing power is preserved during such times by allocation to precious metals.**

After issuing a "hold" call over the past few months, we are now recommending a **staggered allocation over the next 6-12 months, with a bias towards Silver – in a 60 : 40 Gold : Silver ratio** (vs. 2/3 : 1/3 earlier).

Along with Gold and Silver, we are also initiating allocation to gold and silver miners – GDX, GDXJ and SIL. Mining companies can benefit exponentially once precious metal prices rise. Their mining costs are likely to grow slower than the market prices – allowing them to capture the spread.

Risks

- An aggressive Fed hike cycle
- US choosing to let its debt expand further and delay the problem
- Central Banks turning net sellers of Gold
- Import duty on precious metal purchase in India
- Temporary stoppage of Indian mutual fund precious metals FoF causing ETF premiums to rise – we will continuously monitor this risk and not purchase when ETF is at a premium

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- The securities quoted are for illustration only and are not recommendatory.

Statutory Information:

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