DAKOTA GLOBAL FUND

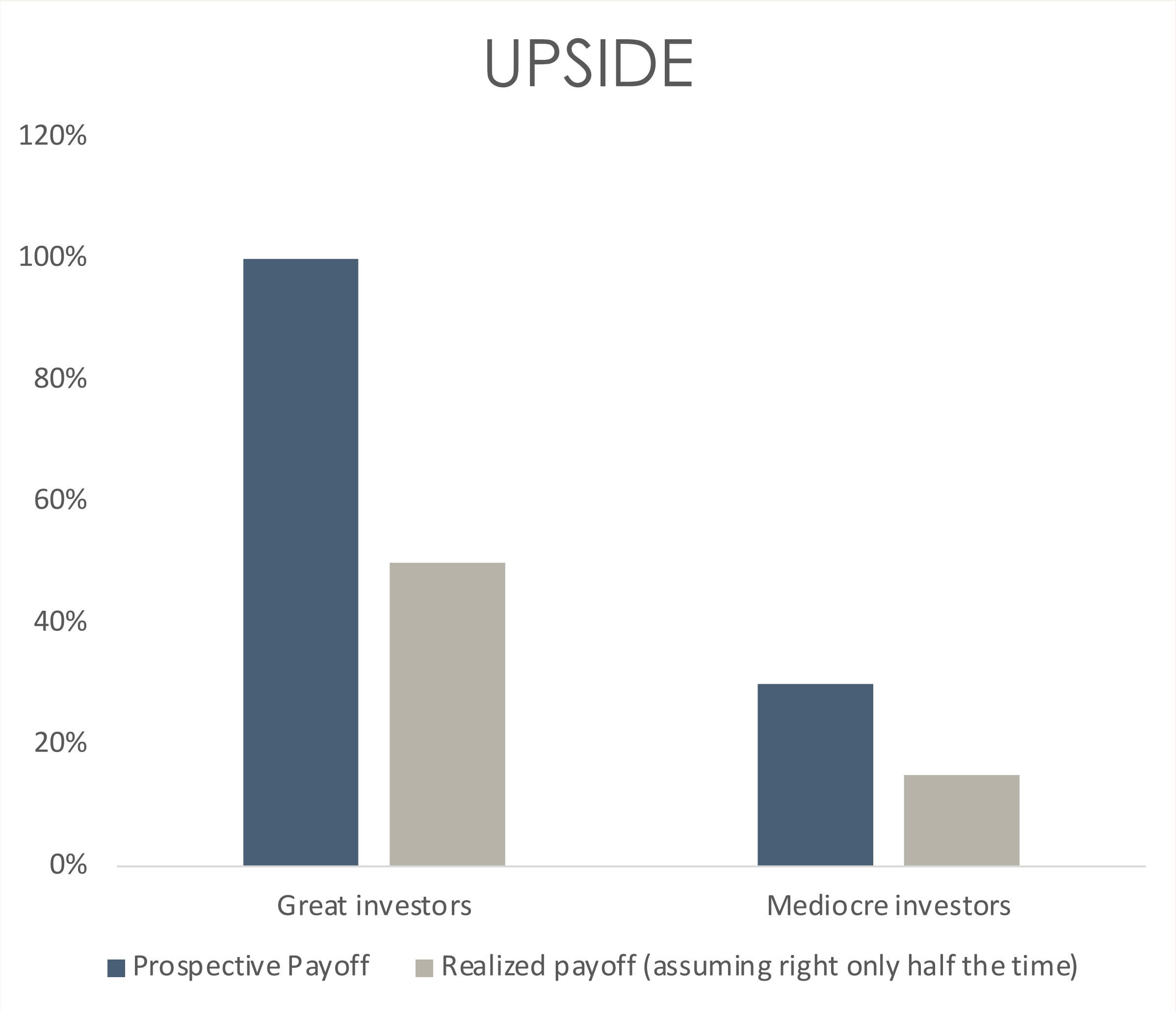
The fundamental question:

- What, if anything, works in investing across the ages?
- Is there any enduring truth?
- Or is investing like time or war—in that every strategy succumbs to either entropy or the evolving tactics of a thinking opponent?

- To answer this question, we created a database of the greatest investors in history.
- We studied their strategies and investments.
- The results changed our lives as investors. Great investors are far more similar than not.

- #1 difference: Great investors focus on investments with large payoffs. 50-100%+ upside.

- By contrast, most professionals buy stocks with less than 30% upside, enshrining mediocrity.



Targeting high payoffs is necessary to overcome the fact you won't always be right.

- 2nd difference: Great investors tended to bet not on change but on sameness.

- There's much randomness in the world but also currents of sameness and repetition.

- This could be an industry that doesn't change much or large cycles (like the current gold bull market). These are kinds of things we want to bet on when the payoff is 2-3x or more.

- 3rd difference: 32% of the greats were deep value investors.
- Deep value is about buying ultra-cheap things trading at extremes. Means taking humiliation risk.
- Only 1-2% of assets are managed by deep value investors.

GREAT DEEP VALUE INVESTMENTS

INVESTOR	INVESTMENT	P/E	RETURN
CHARLIE MUNGER	TENNECO (2001)	1	15x
WARREN BUFFETT	HY BONDS, KOREAN STOCKS	3	3x
NOMAD	SIAM CEMENT (1997)	3	10x
CHARLIE MUNGER	BELRIDGE OIL (1970)	1	30x
CHANDLER BROS	JAPANESE BANKS (2002)	2	2-4x

Inspired by our findings, we created a global value strategy that does essentially one thing and one thing only:

1. Buy things of enduring value when they are generationally cheap.

This could be high-quality compounders at 7x earnings, commodities near 50-year lows, or a crown jewel asset selling for 3x earnings in an emerging market.

What do we think the big opportunity is today? Gold miners and oil.

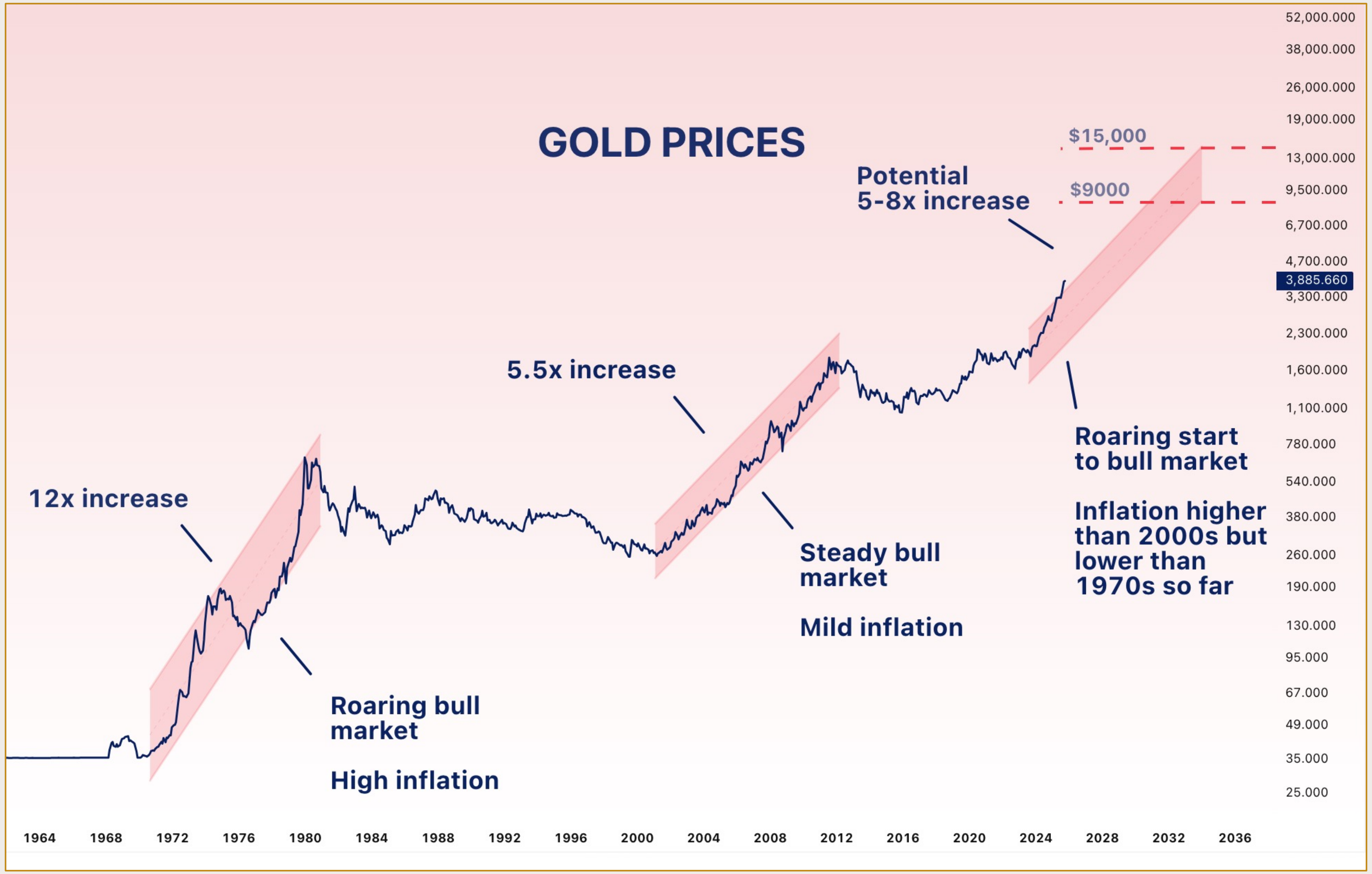
In past bull markets, gold went up 5.5 to 12x.

A 5-8x increase puts gold at $9000 to $15,000.

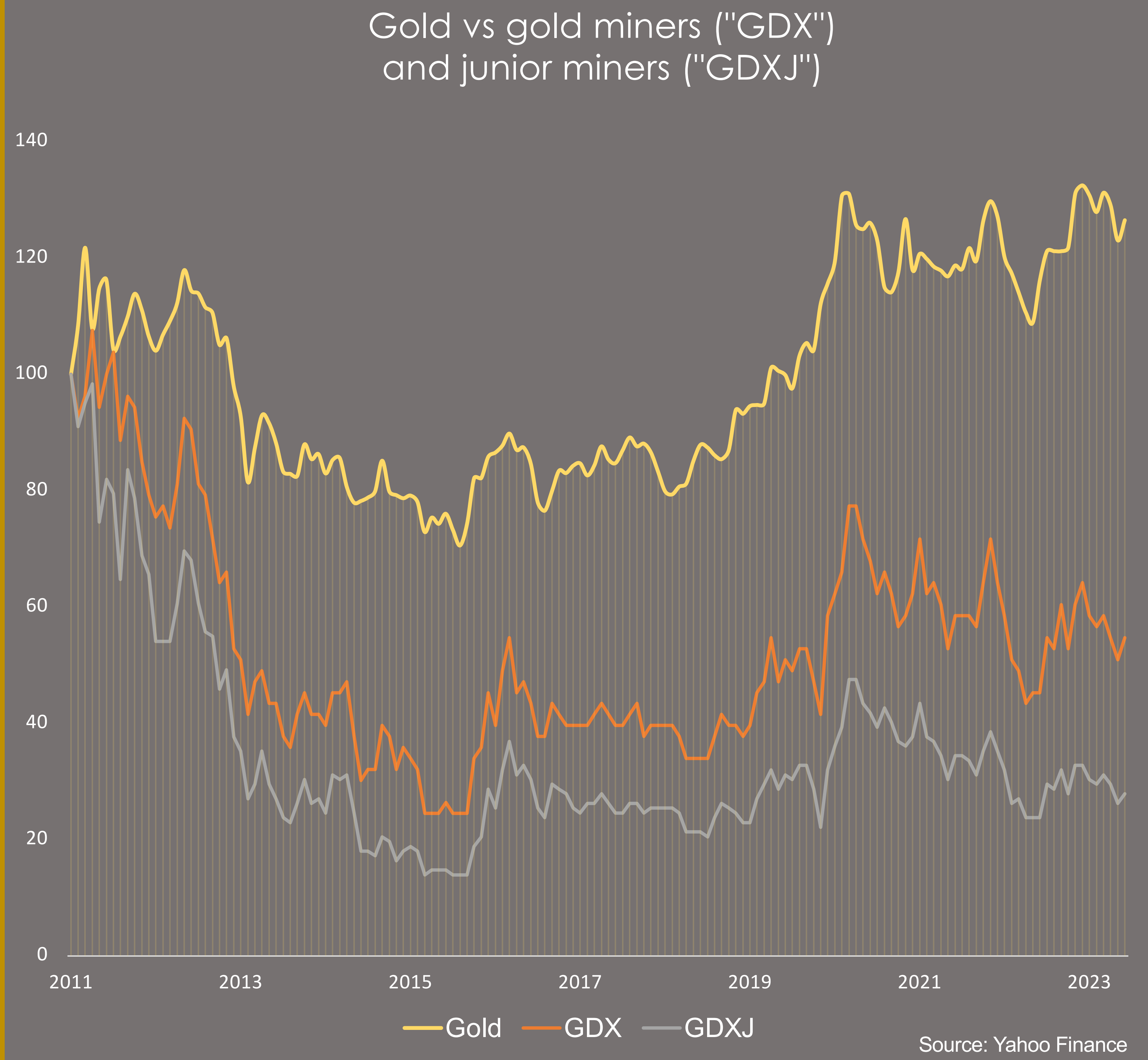
The 2000s bull market was mild because inflation was mild and there was little de-dollarization.

Today there's already been a spike in inflation and China is de-dollarizing. US also incented to inflate away $37T debt.

Potential for this bull market to be equal or greater than 2000s.



At a time when gold is poised to go up 2.5-4x, gold miners trade at 50-70% discount to gold.



The Lassonde Curve displays investor interest by stage of development

Gold miners are generally bad assets. Here’s how we navigate the sector.

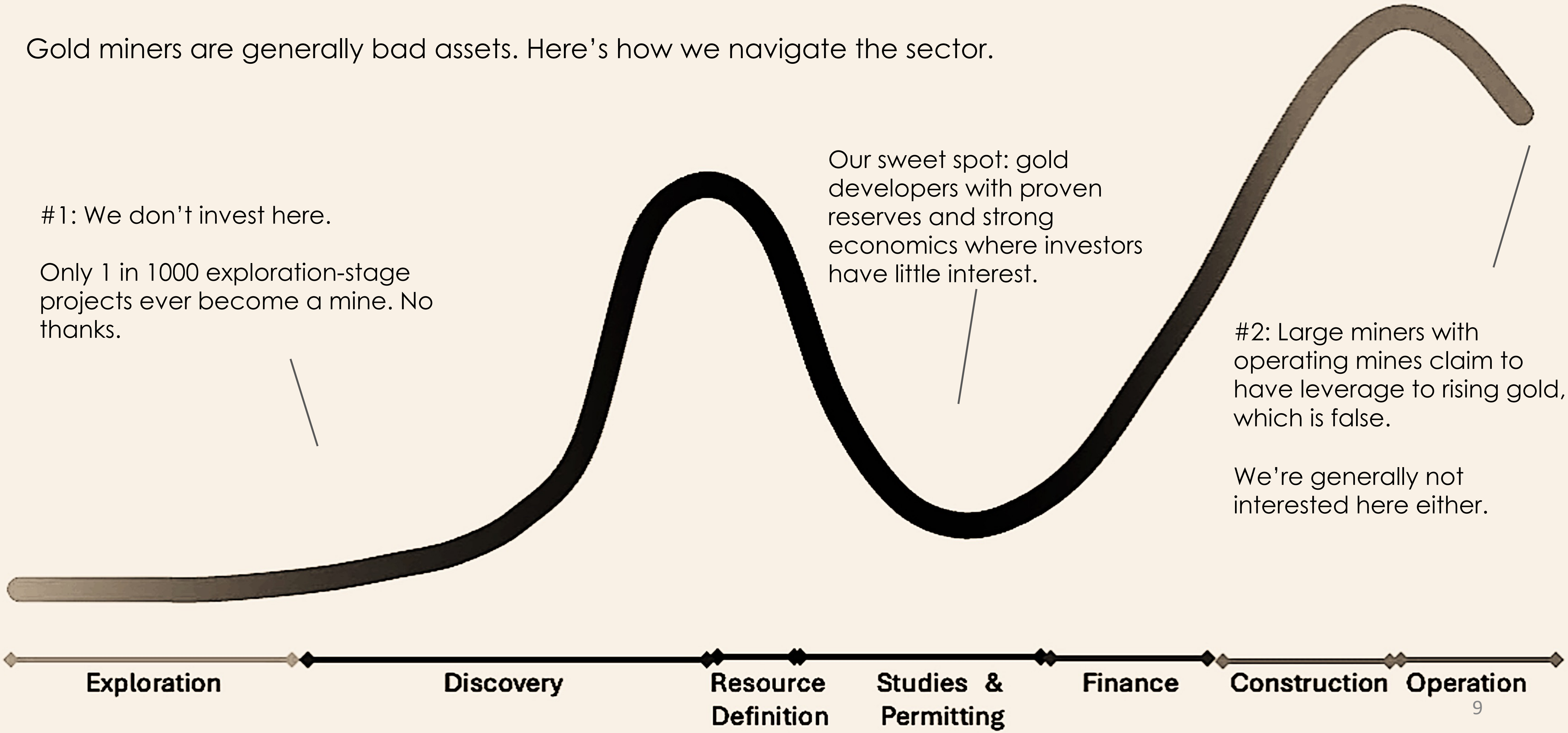
#1: We don’t invest here.

Only 1 in 1000 exploration-stage projects ever become a mine. No thanks.

Our sweet spot: gold developers with proven reserves and strong economics where investors have little interest.

#2: Large miners with operating mines claim to have leverage to rising gold, which is false.

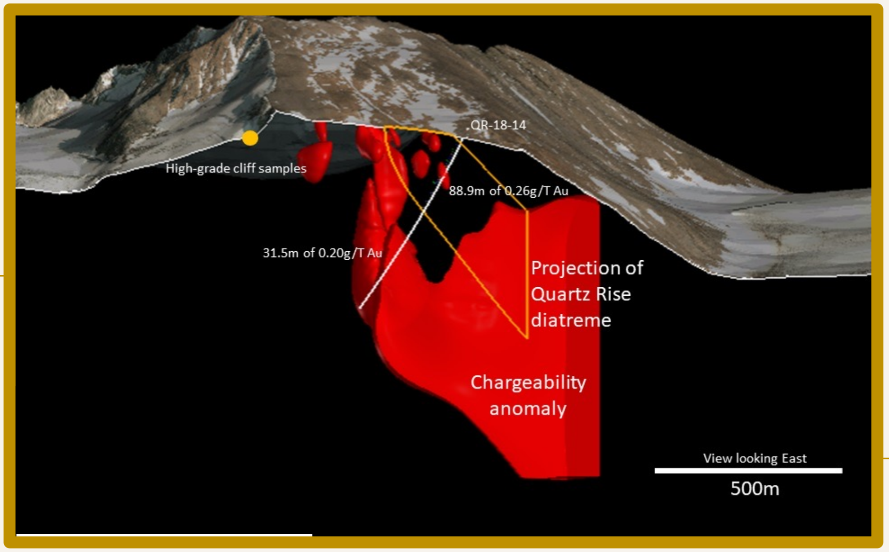
We’re generally not interested here either.



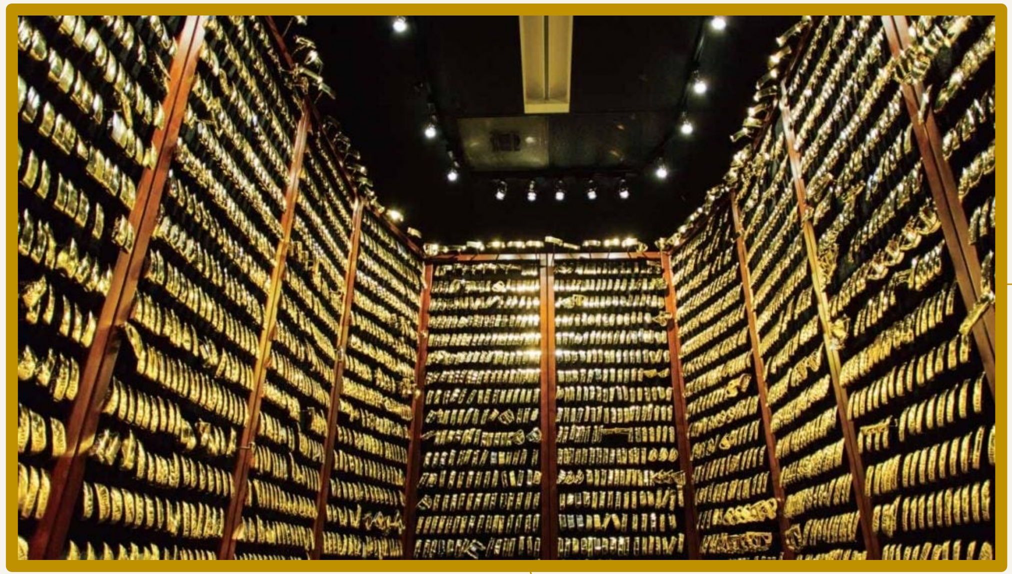
Gold in the ground can be valued as a % of gold spot price.

In the last gold bull market, Seabridge's gold in the ground was valued at 3.2% of spot. Today it's just .4%. Potential 8x+ upside even if gold stays the same.

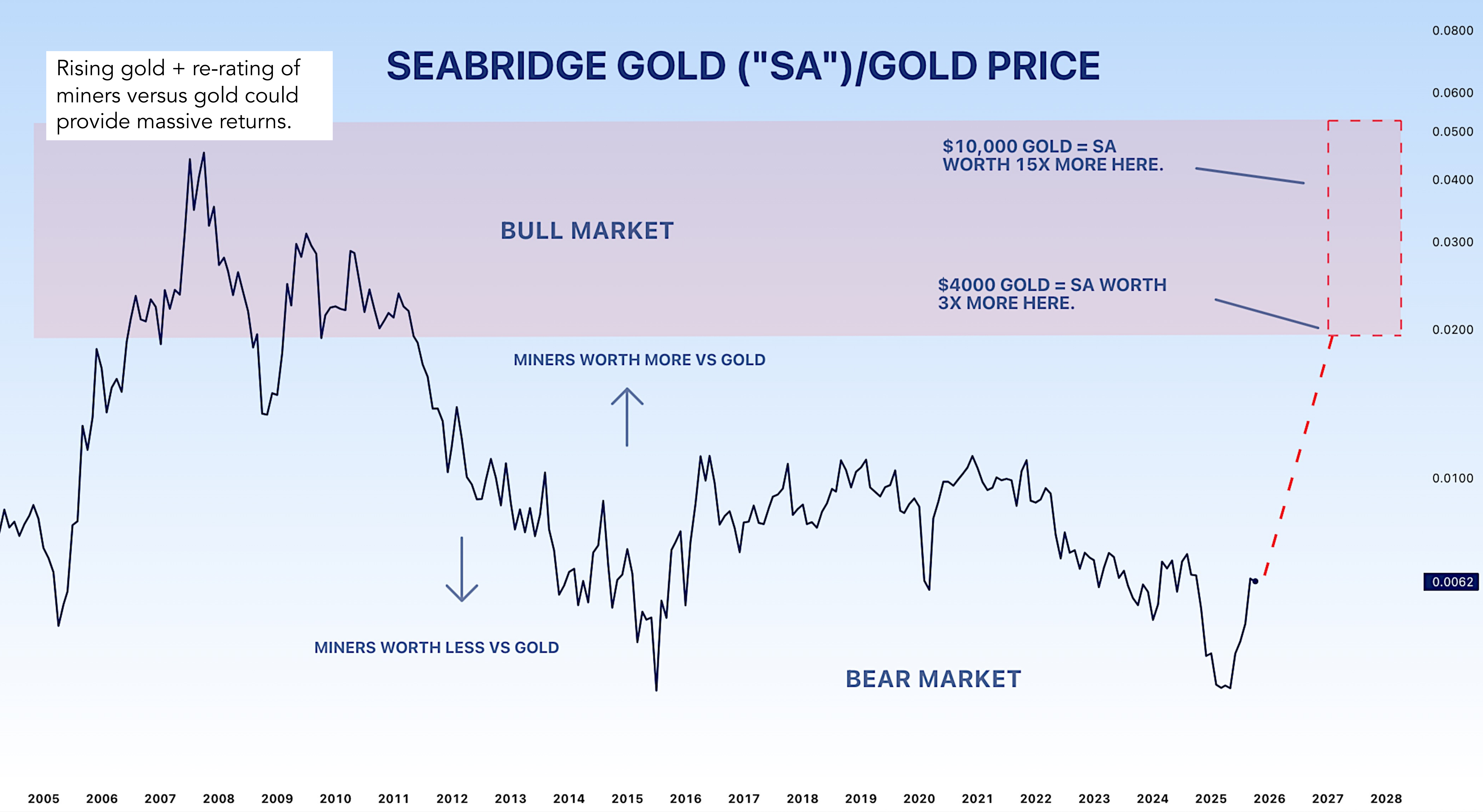
Seabridge Gold (ticker "SA")



Gold resources/gold spot (2006):	3.2%
Gold resources/gold spot (current):	.4%
Upside to 2006 gold resources/gold spot	8x



Gold above-ground: $3700/oz


Rising gold + re-rating of miners versus gold could provide massive returns.
SEABRIDGE GOLD ("SA")/GOLD PRICE
$10,000 GOLD = SA WORTH 15X MORE HERE.
$4000 GOLD = SA WORTH 3X MORE HERE.
BULL MARKET
MINERS WORTH MORE VS GOLD
MINERS WORTH LESS VS GOLD
BEAR MARKET
0.0800
0.0600
0.0500
0.0400
0.0300
0.0200
0.0100
0.0062
2005
2006
2007
2008
2009
2010
2011
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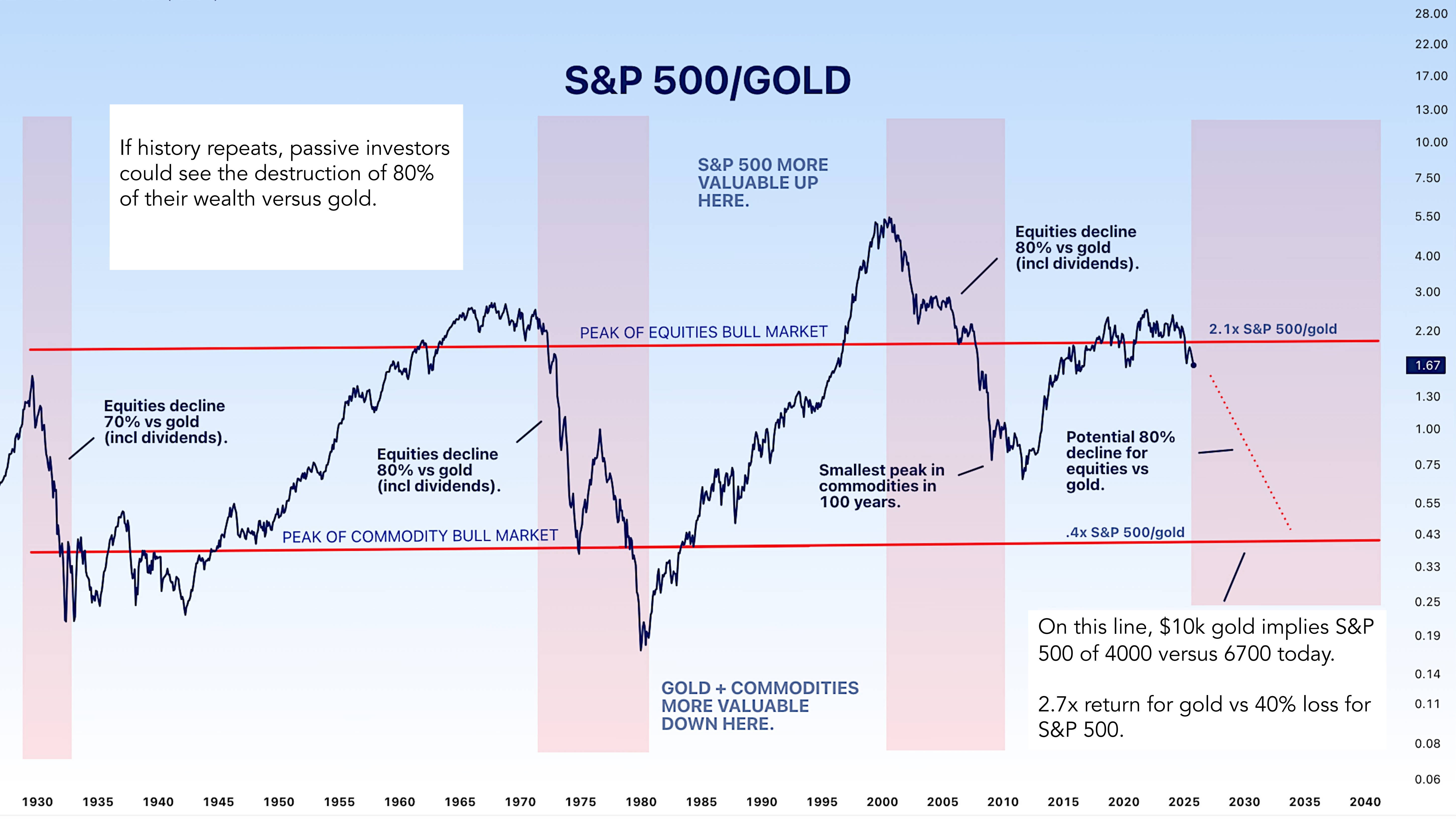
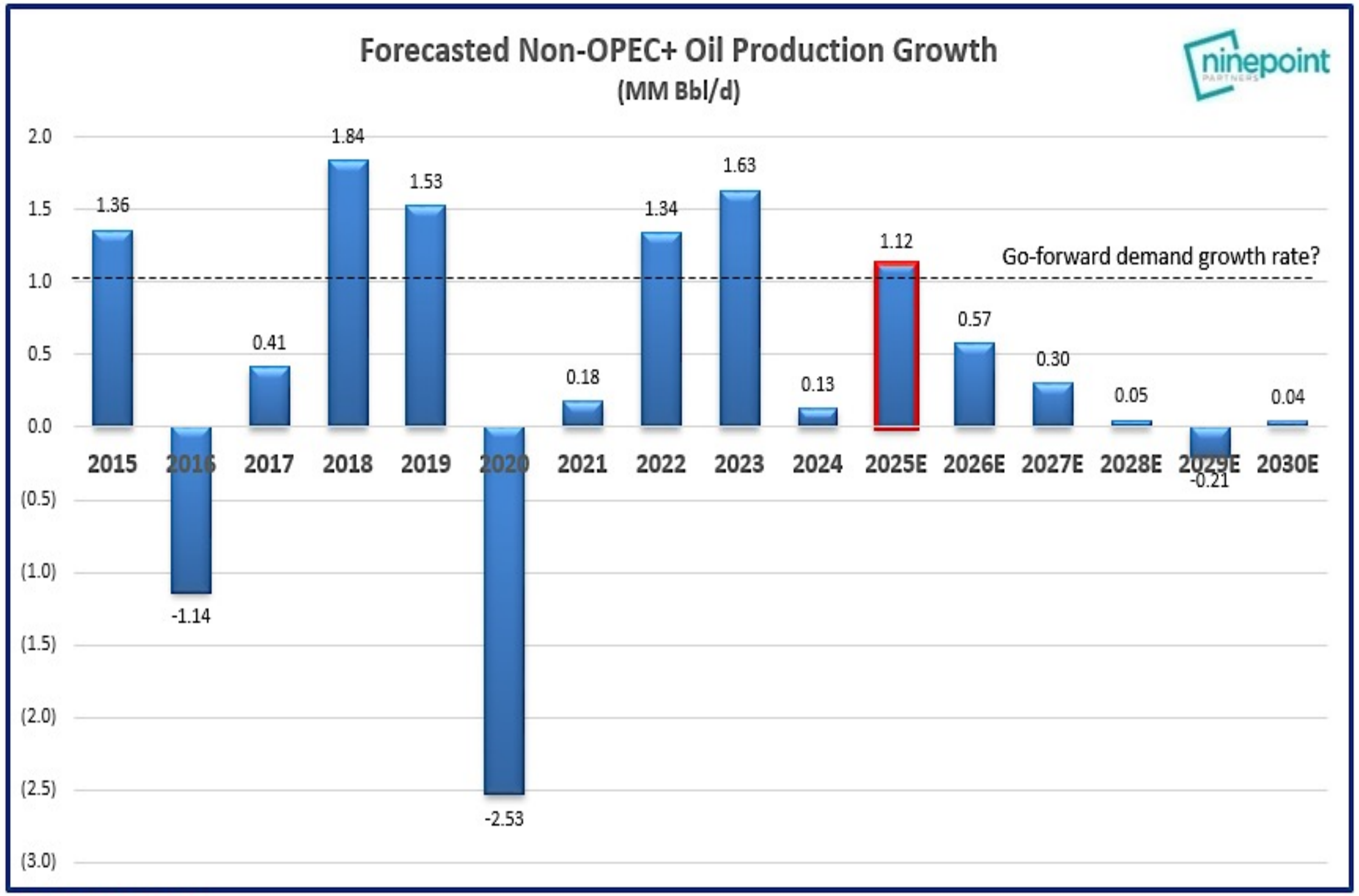

S&P 500/GOLD
If history repeats, passive investors could see the destruction of 80% of their wealth versus gold.
S&P 500 MORE VALUABLE UP HERE.
Equities decline 80% vs gold (incl dividends).
PEAK OF EQUITIES BULL MARKET
2.1x S&P 500/gold
Equities decline 70% vs gold (incl dividends).
Equities decline 80% vs gold (incl dividends).
Smallest peak in commodities in 100 years.
Potential 80% decline for equities vs gold.
PEAK OF COMMODITY BULL MARKET
.4x S&P 500/gold
GOLD + COMMODITIES MORE VALUABLE DOWN HERE.
On this line, $10k gold implies S&P 500 of 4000 versus 6700 today.
2.7x return for gold vs 40% loss for S&P 500.
28.00
22.00
17.00
13.00
10.00
7.50
5.50
4.00
3.00
2.20
1.67
1.30
1.00
0.75
0.55
0.43
0.33
0.25
0.19
0.14
0.11
0.08
0.06
1930
1935
1940
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
2020
2025
2030
2035
2040

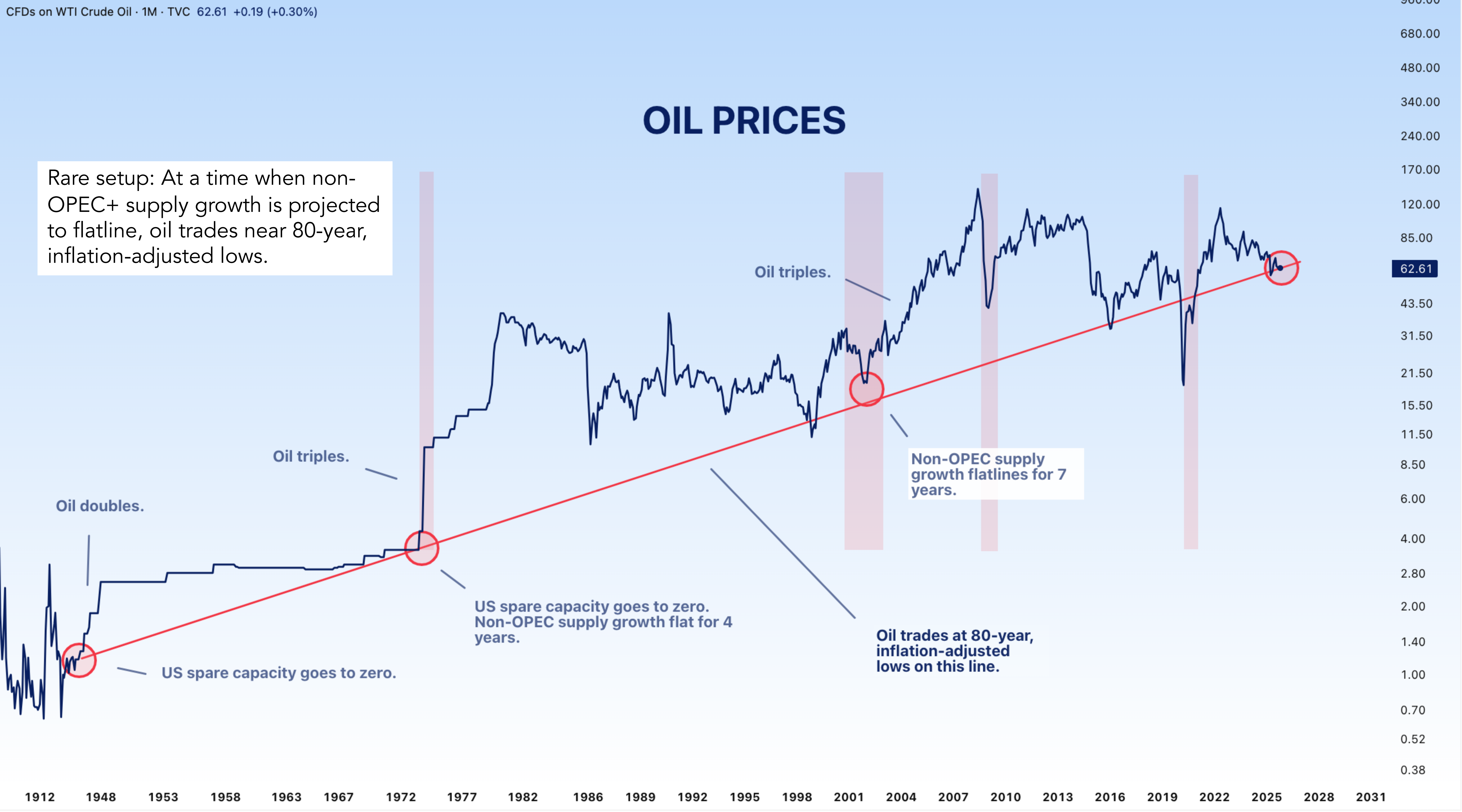
The opportunity in oil is arguably even bigger than the opportunity in gold.

We think oil is the cheapest asset in the world.

You would think then that we're in the midst of a prolonged oil glut, but it's the opposite: non-OPEC+ supply growth is poised to flatline.



Source: Energy Aspects


CFDs on WTI Crude Oil · 1M · TVC 62.61 +0.19 (+0.30%)
OIL PRICES
Rare setup: At a time when non-OPEC+ supply growth is projected to flatline, oil trades near 80-year, inflation-adjusted lows.
Oil triples.
Oil triples.
Oil doubles.
Non-OPEC supply growth flatlines for 7 years.
US spare capacity goes to zero. Non-OPEC supply growth flat for 4 years.
US spare capacity goes to zero.
Oil trades at 80-year, inflation-adjusted lows on this line.
680.00
480.00
340.00
240.00
170.00
120.00
85.00
62.61
43.50
31.50
21.50
15.50
11.50
8.50
6.00
4.00
2.80
2.00
1.40
1.00
0.70
0.52
0.38
1912
1948
1953
1958
1963
1967
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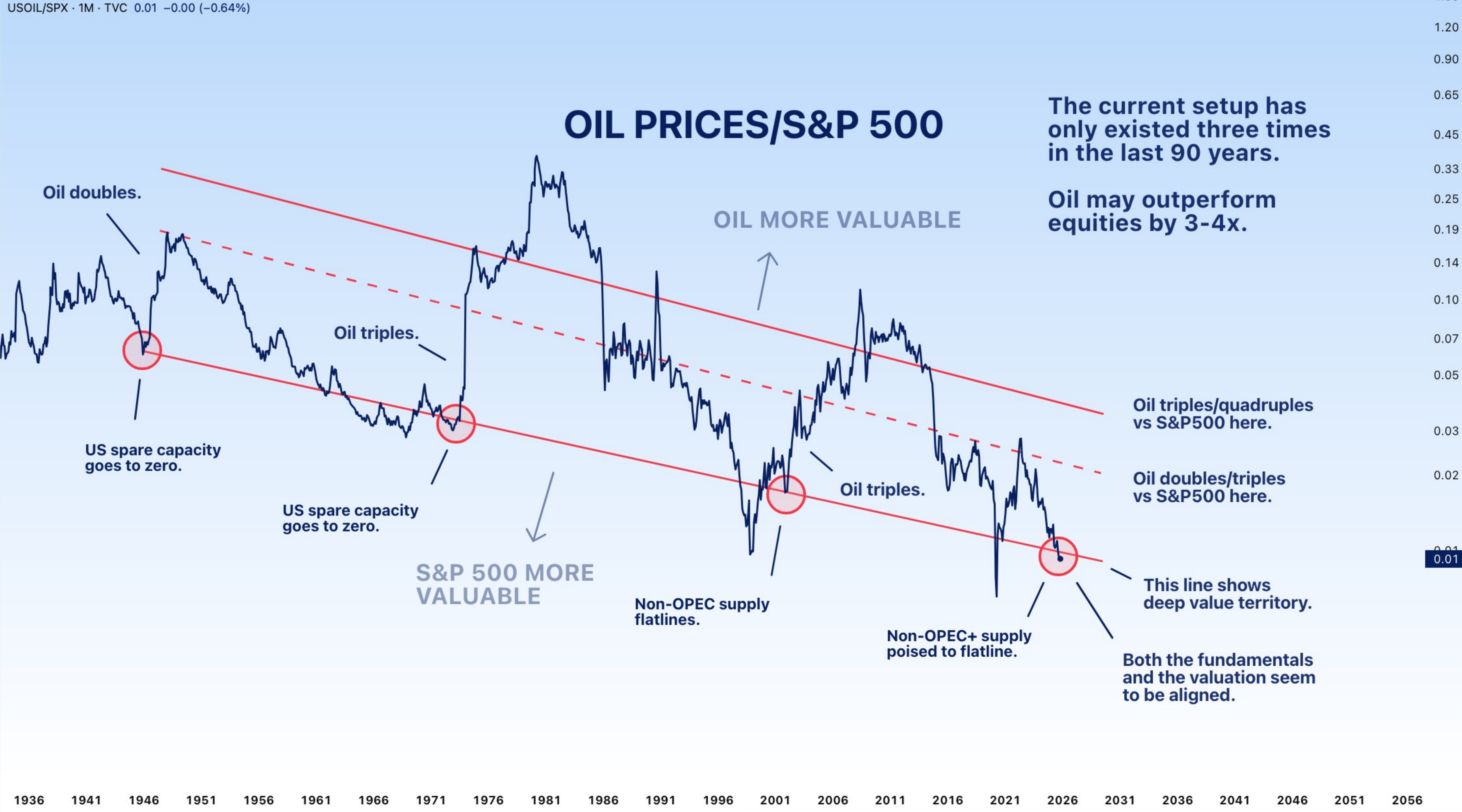

USOIL/SPX · 1M · TVC 0.01 −0.00 (−0.64%)
OIL PRICES/S&P 500
The current setup has only existed three times in the last 90 years.
Oil may outperform equities by 3-4x.
OIL MORE VALUABLE
S&P 500 MORE VALUABLE
Oil doubles.
US spare capacity goes to zero.
Oil triples.
US spare capacity goes to zero.
Non-OPEC supply flatlines.
Oil triples.
Non-OPEC+ supply poised to flatline.
Oil triples/quadruples vs S&P500 here.
Oil doubles/triples vs S&P500 here.
This line shows deep value territory.
Both the fundamentals and the valuation seem to be aligned.
1.20
0.90
0.65
0.45
0.33
0.25
0.19
0.14
0.10
0.07
0.05
0.03
0.02
0.01
1936
1941
1946
1951
1956
1961
1966
1971
1976
1981
1986
1991
1996
2001
2006
2011
2016
2021
2026
2031
2036
2041
2046
2051
2056

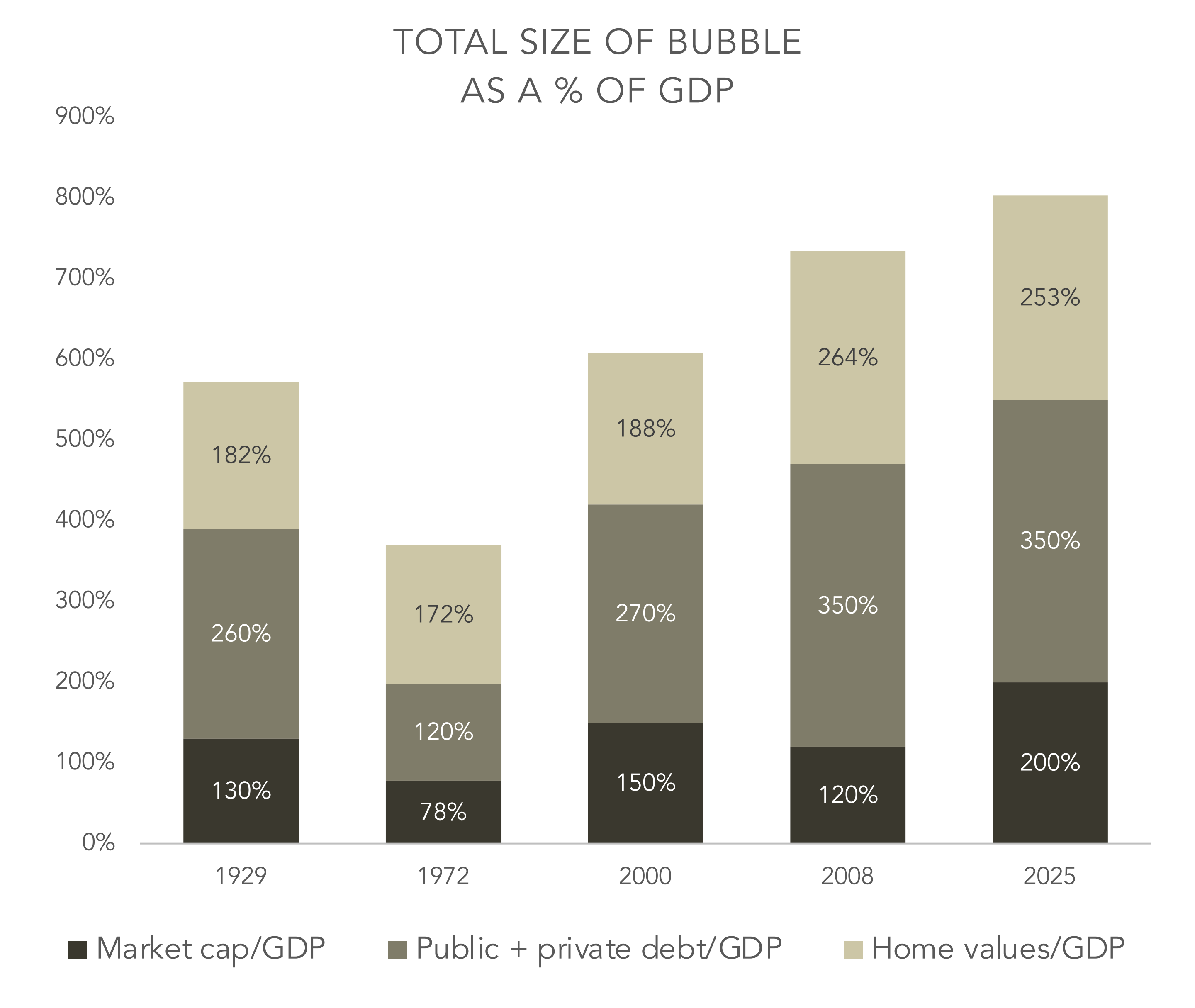
Potential upside on our highest conviction positions:

Asset	Underlying commodity	Potential upside (oil: $100)	Potential upside (oil: $150)	Potential upside (gold: $4000)	Potential upside (gold: $6000)
Seabridge Gold stock	Gold			6x	10-15x
Other precious metals miners	Gold + platinum			6-15x	11-20x
Oil options	Oil	3.5x	27x		
E&P equities	Oil	5x	7-9x		
Offshore equities	Oil	3-4x	5-8x		

The total size of the current bubble is the largest ever.

We don’t short stocks, but because we want as little exposure to this bubble as possible, we own some puts on the S&P 500 as well as various mega-caps.

In the event of a major correction, we believe these puts could be worth 6-15x more. And if no correction happens, our loss is limited to our cost basis.



- “Manage your clients’ money as though it was your parents’ money.”
- That statement touches something deep because capital means our lives can be about more than subsistence.
- Our firm’s success will depend on how much we can embody that principle.

FOUNDER + PORTFOLIO MANAGER

Scott Reardon is an author and value investor. Prior to founding Dakota Funds, he was the head analyst at a holding company pursuing a Berkshire/Leucadia strategy. Prior to that, he worked as a research assistant at Columbia Business School in the Value Investing Program.

Before turning to investing, Scott was an attorney at Simpson Thacher & Bartlett. He's a cum laude graduate of Northwestern Law and has been admitted to the California and New York bar.

His white paper "Stewart's Bridge to Huston's Gateway" is the only systematic study of the world's greatest investors and what they did that few others do. His first novel, *The Prometheus Man*, was published by Little Brown in 2017. The second book in the series was published in 2020.

Fund	Dakota Global Fund LP
Fund GP	Dakon Capital LLC
Management fee	1%
Incentive allocation	20%
Hurdle	6%
Fund size	Soft close at $300MM
Lockup	None
Redemptions	Quarterly
Highwater mark	Yes
Minimum investment	$1,000,000

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