The Looming Crisis Wall Street Isn't Preparing For

The Julia La Roche Show (November 18, 2025)

Host: Julia La Roche

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[Brian Hirschmann, Managing Partner, Hirschmann Capital]

Right now, U.S. government debt to GDP is around 120%, and if you look back at the last 200 years, virtually all countries with 120% debt to GDP defaulted. And so that tells us it's very, very hard to get out of this situation without a crisis once the government debt level gets this high. So, the outlook is very grim for Treasury bonds, but I think the outlook is very good for gold.

[Julia La Roche]

Brian Hirschmann, Managing Partner of Hirschmann Capital. It is so wonderful to welcome you back to the show. And great to see you again, Brian.

It's been way too long. Really appreciate you taking the time to join me today.

[Brian]

Thank you. It's great to be back here.

[Julia]

It's been a long time- 18 months since our last conversation. And we were talking about gold at the time, and I believe the price has more than doubled since then. So, I'm just thrilled to have you back on.

And so much has happened in the world in the last 18 months. So, Brian, we must start where we always start with our guests. And that is with that big picture macro view, the framework in which you were looking at the world, how you are thinking about the economy, markets, what's on your radar?

What are you paying attention to these days? What's your outlook? And as you know, Brian, on this show, you can take all the time you need to set the table when it comes to that big picture macro view.

[Brian]

Sure. And before we talk about what I think, I think we should look at what Warren Buffett, the world's greatest investor, is doing. And right now, his cash allocation is near an all-time high.

At the same time, other investors' cash allocation is near an all-time low. So, it seems like Buffett is following his own advice by being fearful when others are greedy. And let's do the same.

Now, the last time I was on the show, I said it was the most dangerous time in U.S. financial history, because it was the first time that any major economy had had three large bubbles all at the same time. And since then, the situation has gotten even more dangerous, since all three of those bubbles have gotten even bigger. And I continue to think that all three of those bubbles are likely to burst at the same time, and that could be soon, and it could be very sudden.

But that should be positive for gold and extremely positive for certain gold mining equities, such as the ones that my fund invests in. Now, the first of the three bubbles is the U.S. equity bubble. And nearly all reliable metrics, all reliable valuation ratios, indicate that this is the most overvalued U.S. market ever.

Price-to-sales, price-to-replacement cost, price-to-gross-value-added, price-to-GDP, and price-to-cyclically adjusted earnings all indicate that the U.S. stock market needs to fall more than 50% to get back to a normal valuation. And if, as seems likely, we head into an inflation crisis, then the U.S. stock market would need to fall more than 80% if it returns to the same valuation that it was at around 1980 during the last U.S. inflation crisis. The second bubble is the U.S. housing bubble.

And right now, price-to-rent and price-to-income and home affordability ratios are now at or near their worst levels ever. And they're even worse than they were during the 2000s housing bubble, which nearly caused a depression. In Los Angeles, for example, where I'm from, somebody with a median income needs to spend 90% of their income on housing to be able to afford the median-priced home.

And at the same time, nationally, home listings and days on market are increasing, so it seems like the bubble may be getting closer to bursting. And the third bubble is in bonds. Right now, in the U.S., long-term interest rates are still relatively low.

They've increased some, but they're still relatively low, even though U.S. government debt is at levels that have nearly always led to default. And the consensus is that none of these bubbles matter because the government will bail out the economy and markets like it always has in the past. But that couldn't be more wrong.

If the government could always bail out the economy, it would have been discovered 2,000 years ago, not just now, not just in recent years. Instead, I think this era of bailouts is over because for the last 40 years, every time there's been a downturn, there's been lots of government stimulus, and all that stimulus has now pushed the U.S. government's finances to the breaking point. So, during the next recession, instead of a bailout, I think we're very likely to get a government debt crisis with very high interest rates and sustained high inflation.

The problem is the U.S. has this toxic combination of high budget deficits, high government debt to GDP, elevated inflation, and high borrowing from foreigners. And the high deficits and high debt to GDP are a problem because it means government debt is growing faster than the U.S. government's capacity to pay. And the high inflation is an issue because it means the government has already started to default through inflation.

And high borrowing from foreigners is a problem because foreign lenders tend to be more fickle and tougher to control with regulations. There are many studies showing that countries with many foreign lenders tend to have more crises and experience them sooner. In fact, since 1914, there have been 21 instances of other countries with this same combination of four toxic factors.

And all 21 of those countries defaulted relatively quickly, and their median average annual inflation over the subsequent four years was 18% per year. And none of them was able to avoid sustained high inflation through recession or through QE or some central bank policy. Because the problem is if a government is defaulting through inflation, then bailouts and QE and rate cuts only cause more inflation.

Because if investors are already worried about a government having excessive debt, and then it says it's going to bail out banks and bail out companies and therefore take on more liabilities, then investors will only be more worried about the government's debt and more worried about inflation in the future as the government defaults through inflation. So instead of a bailout, we're likely to get a doom loop where the government debt crisis causes a private sector recession, which in turn, or a private sector crisis, which in turn, worsens the government debt problems. And that's similar to what happened in Greece in 2010, or similar to what's happened in Argentina in recent years.

And it's important to remember that these problems are global. Seven of the world's 10 largest real estate markets are very overvalued, if not bubbles. And higher bond yields could crash those real estate markets just as the U.S. real estate market bubble popped in response to higher interest rates in 2006.

And the bond bubble is also global because government debt to GDP is near an all-time high, and debt in many countries is at or near levels that have always led to default. Japan, Italy, France, the UK, and Brazil are examples of countries with very high or dangerous debt levels. And so, a crisis in one country could easily spread across the world.

And sure enough, since 2020, rates have been rising across the world. That may be a sign that we're in the early innings of the inevitable global government debt crisis. And so, I think, in sum, the next crisis should be the worst of our lifetimes, but that should be an incredible opportunity for investors in select gold mining equities.

[Julia]

Okay, let me ask you this, Brian. The most dangerous time in our investing lifetimes- are we just past the point of no return then? Because you've been talking about this for a while.

[Brian]

Yeah, that's a good question. Can we fix this situation? And history tells us that we can't fix it.

The core problem is the U.S. government has too much debt. And if the government has too much debt, then it is going to lose its ability to prop up the bubbles in equities. And so, to avoid this crisis, we would need to fix our government debt problem.

But the problem is that when markets are calm, like they are now, politicians are very reluctant to make short-term sacrifices to improve the government's long-term solvency, because they're always very worried about their election in two years or their election in four years. And it takes a long time to see the benefits of painful austerity, budget cuts, and the like. And so that's why politicians in the U.S. in recent years have done nothing to improve the deficit.

And then the problem is once the crisis starts, it's too late to implement austerity, to start raising taxes, and to cut spending, because the higher borrowing costs from the crisis overwhelm the benefits of tax increases and spending cuts. And that's why the European PIIGS- Portugal, Italy, Ireland, Greece, and Spain- couldn't get themselves out of the debt crisis around 2011 that was occurring in Europe. They had to get bailed out by other countries in Europe and by the ECB.

And even if a government starts implementing austerity before the crisis starts, it oftentimes fails to improve the situation because it reduces GDP growth, which then increases the government budget deficit. And we saw how little countries improved their government debt to GDP in Europe and the U.S. between the time of the global financial crisis and the time of the pandemic, even though a lot of them were implementing austerity, budget cuts, tax increases, and so on.

And I think the quick way to summarize it is right now, U.S. government debt to GDP is around 120%. And if you look back at the last 200 years, all countries with 120% debt to GDP defaulted. And so that tells us it's extremely hard to get out of this situation without a crisis once the government debt level gets this high. And so, the outlook is very grim for Treasury bonds, but the outlook is particularly good for gold.

[Julia]

Yeah, 120% for that U.S. federal debt-to-GDP ratio. The U.S. debt sits north of $38.2 trillion. I feel like, gosh, I should go back and look at what it was 18 months ago. We probably added a few trillion in that time frame.

So, Brian, the cause of the next crisis then, does that lie at the feet of the government? Is it the government that got us into this predicament then?

[Brian]

Yeah, that's an interesting question. Who's responsible? I think investors are responsible since they allowed the government to get away with this borrowing.

I think, really, if we want to say, what's the cause? Because right now, the Fed, maybe they could hike interest rates, and that would eventually pop the bubbles in equities and real estate. But then we would face a terrible crisis because there's so much debt built up in the system, and we have two gigantic bubbles in equities and real estate.

So, the Fed isn't going to do that. No sane person would do that. So, really, where the problem started, and other people have made this point, is we've been bailing out the private sector, the economy, the markets, every time there's been a minor downturn for the last 40 years, and we shouldn't have been doing that.

The time to fix the problem was back in the early eighties. We should have allowed recessions and not always bailed out Continental Illinois, not always bailed out emerging markets who were having crises, and not always aggressively cut rates when it looked like there'd be a recession. Because if we hadn't done that, we wouldn't have such high consumer, government, and corporate debt levels right now.

Because when investors and borrowers think that the government is always going to bail them out in a downturn, that encourages them to be more reckless and to borrow more and to lend to more risky companies and invest in more risky companies. And all this reckless behavior has led to these gigantic bubbles we have right now, these extremely high corporate, government, and consumer debt levels. And now this leaves us in a situation that we can't get out of without a bad crisis.

So, I think both investors and the government are responsible to a certain extent. And what's going to trigger it? Well, the thing is, when the market is this overvalued, when there's this much debt in the system, anything can trigger the crisis.

For example, in 1929, before the stock market crash, in 2000, before this dot-com bubble crash, in 1987, before that stock market crash, there wasn't really a big event. I think anytime you have really overvalued markets and too much debt in the system, anything that causes a bit of selling can feed on itself. There's so much margin debt out there right now.

And so, we don't need to predict exactly what's going to be the trigger. Any little thing can be the trigger when things are this overvalued. A good analogy is that an overvalued market is like a vertical ruler balanced on someone's hand.

Any little gust of air can knock it over and cause a crash.

[Julia]

Well, we should also talk about gold. That is an area you favor. Gold has been on an absolute tear this year.

I know, again, I would mention that in the 18 months since you and I last spoke, it's doubled in price. It's sitting above $4,000 and some change today, as we record on Monday, November 17th, just after 1 pm Eastern. So, I guess the question for you is: when I look at gold's performance compared to equities, has it been behaving as it should, as expected?

What has been more of your take on gold's performance? And does it make sense that it's done so well while equities have also done well?

[Brian]

Yeah. I think since I was last on the show, as we mentioned, gold prices have doubled. So hopefully somebody listened when I recommended them last time.

[Julia]

I will say, Brian, this channel loves gold. So, I feel like you have some gold holders out there.

[Brian]

Nice. Yeah. So, I'm sure somebody listened.

And even though gold prices have doubled since we last spoke, global investors' portfolio allocations to gold remain far below their peak during the last inflation crisis around 1980. And when investors increase their portfolio allocations to gold, assuming other assets' prices stay the same, that means the price of gold must also increase because the supply of gold is essentially fixed in the short term.

There's a little bit that's produced for mines each year, but that's very small. And as we talked about last time, gold does very well if concerns about inflation and defaults increase, because it's the one asset that's nobody's liability. And it also doesn't depend on fixed coupon payments far in the future, the way bonds do.

And so, if we get this stagflation scenario that decimates bonds and equities, and real estate, then investors should rush to gold. And that, of course, will cause their portfolio allocations to gold to increase also. And at the same time, that'll cause gold prices to increase.

And so, if investors were to take their allocation back to where it was in 1980 at its peak, then the gold price would more than double from here. But I think there are many reasons to think that the next crisis, and we talked about this a little bit last time, the next crisis should be far worse than the recession around 1980, because consumer debt, corporate, and government debt are much higher now. And we have much bigger asset bubbles now than we did then.

But if we don't have a crisis, then based on the last 55 years of history since the gold standard ended around 1971, gold looks expensive because investors' portfolio allocations are above their historical average. But a crisis is almost certain. And that's why I expect gold prices to go much higher over the next few years.

And then as far as equities, I think that's a good question, because the last time investors' gold portfolio allocations were this high, around 1979 to 1982, the valuation of U.S. equities was around 75% to 80% lower. So, we've never seen a situation where we have such high gold portfolio allocations and equity valuations are also extremely, extremely high. But I think you don't need everyone to be bearish for the gold price to skyrocket.

Gold is a small asset class compared to bonds, equities, and real estate. So, if you get a small increase in concern about default and inflation, it can lead to a huge increase in the gold price. A one percentage point shift in investors' portfolios from bonds to gold would cause a huge increase in the gold price, because gold is such a small percentage of investors' portfolios.

So, I think the important thing to remember is we're headed for the mother of all financial crises. And based on history, gold portfolio allocations should go much higher. And that means gold prices should go much higher.

But gold is not as undervalued as it was relative to equities or in absolute terms. And so that means I'm now starting to look at things like buying puts on equities or assets correlated with equities. Since those sorts of trades have become more attractive and could be a good complement to our gold mining equity investments.

[Julia]

OK, so if I heard you correctly, gold more than doubles from here. So, we're just above $4,000; $8,000 is the price target then?

[Brian]

I think if it goes back to the same peak portfolio allocation that it was at in 1980.

[Julia]

And what was that in terms of percentage? Or I don't know.

[Brian]

That's a good question. Since my competitors might listen to this, I don't want to give away too much, but hopefully the information I'm still sharing will be helpful. But I'd say it's still a low percentage.

And even the percentage it got to around 1980, if an investor, if a client came to me and said, I have this much of my portfolio allocated to gold and gold mining equities, I would say that's very reasonable. That doesn't seem excessive at all. So, I think if it goes back to that same portfolio allocation, then it would actually go to more than $8,500.[1]

And as I mentioned, I think the next crisis will certainly be, or is highly likely to be, worse than in 1981. And therefore, it's very reasonable to think we'll go above $8,500. But again, that's a peak valuation.

So, I certainly wouldn't be buying gold. I would probably be selling our gold mining equity investments well before then. But that is the potential.

That is a reasonable target if we have a crisis, which I think we're highly likely to.

[Julia]

It's so interesting. Okay. So, in the last couple of months, you've heard the term, I'm sure, the debasement trade.

You've also probably seen the headlines. It was Morgan Stanley who made headlines for the allocation, or for the portfolio, instead of the 60-40, 60-20-20, 20% being gold. I imagine that it also bodes well for the thesis.

Just more of a general thing. What has been your thought process on the debasement trade starting to become a bit more mainstream?

[Brian]

Yeah, I'm not surprised.

I've been saying for a while that gold is very undervalued and has tremendous upside. And we're heading for an inevitable government debt crisis that is going to involve the U.S. government defaulting through inflation.

So, it's not at all surprising that the debasement trade is becoming more popular. But as you asked about before, and it was a very good question, it is strange that the debasement trade is becoming so popular when equity valuations are still too high. But I think gold valuations are still...

There's still a lot of upside there, as we talked about. And the valuations of the gold mining equities in my portfolio are still incredibly low. So, I’m still very bullish on those for sure.

[Julia]

Yeah. So, gold still has plenty of room to run. And you've mentioned gold mining equities.

It's a topic that has come up a few times on the channel. It's coming up more often. And I'm definitely...

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[1] Price targets and asset-price forecasts are subjective opinions as of the recording date, based on assumptions that may prove incorrect. They are not guarantees, are not recommendations to buy or sell any security, commodity, cryptocurrency, option, or other instrument, and should not be relied upon as predictions of actual market outcomes.

I'll tell you this, Brian, I am not an expert on gold miners. I am starting to learn just from various guests who have been talking about it. Chris Whalen is one.

Axel Merck is another who's talked about it. But the question is, gold or gold mining companies? What should folks invest in?

[Brian]

Yeah. As we were talking about, I think if we have the crisis, gold should more than double. But because gold portfolio allocations are already high compared to the last 55 years, gold may not appreciate much before the crisis happens.

But gold miners- select gold miners look much better, I think. And there are three categories of gold mining equities. You have producers, developers, and explorers.

And producers are the companies that are already mining gold, already producing cash flow. And they seem undervalued, but not dramatically undervalued. And then that leaves us with the explorers and developers.

And those are the categories that you have cleverly called venture capital with hard hats.

[Julia]

I stole that from someone else. But yeah, thanks.

[Brian]

I like it. Very catchy.

And within that venture capital with hard hats category, explorers- that's the earlier-stage venture capital. Because these companies oftentimes don't yet have a gold deposit. And so, there's lots of geological risk.

And many of these companies fail to discover a profitable deposit. So, I prefer not to invest there because there's more geological risk. I prefer investing in developers, which would be more late-stage venture capital.

And those are companies that are not yet producing gold, but plan to do so by building a mine. And they already have a deposit that they expect to be very profitable. And when gold rises, developers tend to appreciate much more than gold and producers.

And that's analogous to how Silicon Valley venture capital funds tend to go up more than the S&P 500 during an equity bull market. And in fact, during the last big gold bull market from 1979 to 1980, developers and explorers went up around 2,300%, which was far more than the increase of gold around 160%, or the increase in producers around 290%.[2]

Over the last several years, we've had rising gold prices. But Toronto Stock Exchange developers have underperformed producers until this year, and underperformed the gold price. That is the opposite of what you would expect when the gold price is going up. And as a result, our portfolio of gold mine developers is

[2] Historical market data and comparisons are based on Hirschmann Capital research using sources believed to be reliable. Definitions, index composition, time periods, and methodology can materially affect results. Historical performance of asset classes, sectors, indices, or securities is not indicative of future results and should not be interpreted as Fund performance.

trading at only around 20% of their intrinsic value, 20% of the present value of their future cash flows. There are many times in the past where we've bought developers when they were trading at a discount to intrinsic value and then sold them later as they got closer to intrinsic value.

So that means even if the gold price doesn't increase, I think our fund could increase more than 300%.[3] And so I think our gold mining equities clearly offer better value than gold bullion and the gold mining ETF. And our gold mining equities could do very well, even if there's not a crisis.

Whereas with gold, I think to get a big upside from here, you need a crisis to happen.

[Julia]

Okay. And you were talking earlier about the mother of all crises. A crisis- you need that to happen for gold to have that big upside.

But I guess my question for you, from an investor perspective on gold, is: is it more like an insurance policy, or just wealth preservation? What framework do you think of when you own it? Is it just, yeah, like more of an insurance policy for that mother of all crises?

[Brian]

Yeah, I think that's a good way to think about it.

Why does it make sense for investors to own gold? It's generally negatively correlated with equities and bonds. And as a result, when those asset classes get crushed during an inflation crisis, gold should do well, reducing the volatility of people's portfolios.

And yes, as you said, it acts very much like insurance in those situations. But sometimes insurance is a good value when the gold price is low, when portfolio allocations are low. And sometimes insurance can be too expensive.

[Julia]

Do you think it's expensive now? Yeah. Like at $4,000?

[Brian]

I think it's more expensive than it was 18 months ago. I think it's clear our gold mining equities are not expensive. They're still a good value.

I personally don't own any gold. My fund doesn't own gold because it's clear it's a much better risk-return to get exposure to it through gold mining equities. I would say that if you think there's going to be a crisis, it still has a lot of upside; it should double when the crisis happens.

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[3] This statement was an unscripted, valuation-based opinion as of the recording date. It was based on the manager's subjective estimate of intrinsic value for certain portfolio holdings and should not be interpreted as a target return, expected return, guarantee, or official projection of Fund performance. The assumptions underlying this statement may prove incorrect. Actual Fund results may be materially lower and investors may lose all or a substantial portion of their investment. The statement does not account for all fees, expenses, taxes, liquidity constraints, changes in portfolio holdings, changes in commodity prices, financing risk, permitting risk, operational risk, political risk, currency risk, or other risks described in the Fund's private offering memorandum.

But if you think there's not going to be a crisis, then it looks expensive. But look, portfolio allocations are above their average for the last 55 years. So, it's unquestionably more expensive than when I last recommended it on the show 18 months ago, and more expensive than most of the vast majority of times since 1971.

But the probability of a severe government debt crisis has never been higher, and I think it is extremely high. So, I think investors should have some exposure to gold right now.

[Julia]

Yeah. Makes sense. Okay.

There have been a lot of narratives around gold's rise this year from foreign central bank buying and whatnot. What have been the narratives that you think have been complete misconceptions for gold's rise?

[Brian]

Yeah, I talked about a few of those in my letter that I wrote a few months ago. I think it's funny because gold is one of the oldest asset classes, but I feel like it's also probably the most misunderstood asset class, or one of the most misunderstood asset classes. And I always hear these strange explanations for what's driving the gold price that don't make a lot of sense.

I think one thing I had heard that I talked about in my letter is that tariffs were driving the gold price. And I walked through some of the data and the letters available on my website showing that that explanation makes little sense. Another thing that I had heard was that the Chinese central bank was driving the increase in the gold price.

And I also went through that data in my letter and showed that the buying there was too small to explain the increase in the price of gold. Another common thing you hear is that the gold ETF is driving the gold price increase. And the gold ETF is also too small to explain the gold price doubling over the last 18 months.

So, I think what's been going on is that when I was last on the show, gold was very undervalued. Investors had a portfolio allocation that was around the average of the last 55 years, even though the probability of a debt crisis was extremely high. And so, it made sense for them to increase their portfolio allocations.

And then we had some events over the last 18 months. And I think a lot of those may have been like the snowflakes that triggered the avalanche because gold was so undervalued that it was inevitably going to rise. And so, any small little thing could be the trigger.

So, we had U.S. dollar weakness. We had inflation persistence. We had a worsening fiscal outlook across the world with higher 30-year yields in the U.S., the UK, Germany, and Japan.

We had concern about the safety of sovereign debt due to discussions about confiscating Russian reserves. And we had concern about the credibility of the U.S. due to tariffs and Trump's meddling with the Fed. And I think all these factors encouraged institutional investors to increase their allocation to gold.

And that's what's led to the increase in the gold price. But I think the key message is, it's hard to predict exactly what's going to move the gold price in the short term, or almost impossible to predict what exactly is going to move the gold price in the short term. But I think inevitably, we're going to have a crisis, and the gold price should surge in that situation.

And so, it's better to get exposure to the sector now rather than trying to time the perfect entry point.

[Julia]

You know, another area I want to explore with you is Bitcoin, because it has often been touted as a fiat replacement. As we are recording, Bitcoin fell below 95,000 this morning. It is at 92,464 as we're recording at this moment.

Your thoughts on Bitcoin?

[Brian]

Yeah, Charlie Munger called Bitcoin dementia, and Warren Buffett called Bitcoin rat poison squared. And Charlie Munger also said that Bitcoin was like a venereal disease. And I think those are reasonable descriptions.

Because Bitcoin, although it has limited supply, the problem is cryptocurrencies in general, in aggregate, have unlimited supply. In fact, there are over twenty-seven million different cryptocurrencies that have been created. And these cryptocurrencies, they all compete with each other.

And so, they're therefore somewhat interchangeable. And that means that effectively, Bitcoin doesn't have a limited supply. It has unlimited supply because it's somewhat interchangeable with all these other cryptocurrencies.

And anything with unlimited supply is essentially worthless. And so, it reminds me of the tulip bubble in the 1600s, or the baseball card bubble when I was a little kid, or the NFT bubble in 2022. Buffett said that if someone offered him all the Bitcoin in the world for $25, he wouldn't buy it.

And I think that's correct. Bitcoin is probably almost worthless in the long run. And gold is very different, because there aren't new types of gold that are being created.

So gold is truly scarce, unlike Bitcoin. The Bitcoin proponents, the Bitcoin bros, like to claim that it has this network effect that's going to protect it from competition. But its market share of cryptocurrencies has fallen from around 100% 12 years ago to less than 60% today.

So that's very different from something like the Google search engine that did have a network effect, that did have competitive advantages. And therefore, maintained its market share, because it was inconvenient to switch to a competitor's product. Whereas with cryptocurrencies, it's super easy to switch to a stablecoin or switch to another cryptocurrency.

The cost of switching is almost zero. And a lot of these other cryptocurrencies have major advantages over Bitcoin because they offer faster or cheaper transactions, more features like smart contracts, or more developers. And they're coming up with new features that give themselves advantages over Bitcoin all the time.

And if we wanted to, we could even copy the Bitcoin code and make a few improvements and then launch a better version of Bitcoin next week. And so, something that's so easily duplicated doesn't have a long-term competitive advantage. If we could create a duplicate of gold out of thin air, then gold wouldn't be worth anything.

But of course, that's not the case. Gold has these durable competitive advantages over other elements. For example, platinum has a much higher melting point, and platinum is much less malleable.

And so that's why gold has maintained its market share of precious metals over the last 6,000 years. And the Bitcoin proponents like to criticize gold and say that it's inferior because physical gold is difficult to store and transfer. But you can trade gold electronically using ETFs, or futures, or even using the blockchain.

And I think if something is digital-only, that's a disadvantage, because that means you can easily create duplicates, and you can easily create clones. So, I wouldn't be surprised if Bitcoin loses more than 95% of its value over the next few years as it crashes with the U.S. equity bubble.[4] And when I mentioned earlier that we're considering buying put options on assets that are correlated with equities, Bitcoin puts would definitely be under consideration.

But we'll have to study the taxation and liquidity and option pricing and stuff like that.

[Julia]

Yeah. Explain to me: when would you buy some puts? Or what are you waiting for?

Just if you can, elaborate a bit more there.

[Brian]

Yeah. I think the timing is impossible to tell. So, I think it's always very difficult to tell when bubbles are going to burst.

It's true with U.S. equities, what we were talking about before. And it's even more true with something like Bitcoin that has almost zero fundamental value and is trading just on emotion and fear of missing out and stuff like that. So, I think whether the exact option, whether we would buy a put option one month out or farther out, depends on the pricing.

But if we decided to do that, I think the decision would be based more on liquidity and the price of the options. And it wouldn't be based on any firm view on exactly when Bitcoin is going to crash.

[Julia]

I do want to ask you about the Fed, because just last week, the markets didn't like this- the stock market didn't like this- but it's a toss-up as to whether the Fed will cut in December. So more of my question for you is, how are you thinking about the Fed? And does the Fed's rate policy really matter?

Does it matter?

[Brian]

Yeah. I think similar to Buffett, I don't try to predict what the Fed is going to do in the short term. I'm just looking for undervalued investments and holding them for the long term.

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[4] Price targets and asset-price forecasts are subjective opinions as of the recording date, based on assumptions that may prove incorrect. They are not guarantees, are not recommendations to buy or sell any security, commodity, cryptocurrency, option, or other instrument, and should not be relied upon as predictions of actual market outcomes.

But I agree, investors are super focused on what the Fed is going to do. But I don't think it really matters in the long term, regardless of what the Fed does. U.S. equities are a bubble, and over the long term, the gold miners we're invested in look very undervalued. I think ultimately, we're heading for this stagflation on steroids scenario, and the Fed is going to be trapped and it's going to lose control of interest rates. It's similar to what we talked about last time with fiscal dominance, where once the debt crisis starts, if the Fed tries to cut interest rates, inflation is going to go higher. If the Fed hikes interest rates, then that's going to raise borrowing costs for the government and make the debt crisis even worse and also increase inflation.

If the Fed tries to implement QE during an inflation crisis, that's going to lead to higher interest rates and higher inflation, because investors will perceive it as the government stuffing bonds into the central bank. After all, the government is afraid to sell them to investors. So that's why QE stops working during a debt crisis, and that's why countries like Brazil and Turkey haven't been able to implement QE in recent years. But I think investors have become like junkies, addicted to government bailouts through the Fed's rate cuts.

And during the next recession, we're not going to get a Fed bailout through big rate cuts; we're probably going to see interest rates rise. And unfortunately, that's probably going to decimate a lot of investors. And so, I think the Fed is going to be one of the sources of the next crisis, not the savior like it usually is.

[Julia]

Yeah, and that's kind of like that doom loop you're referencing earlier. I know we only have a little bit of time left. I heard that David Swensen was an advisor of yours while you were at Yale.

And of course, the late David Swensen was the CIO of the Yale Endowment. I was wondering if you might be able to share some lessons or anything that you learned from him.

[Brian]

Yeah, that's a great question. David Swensen was perhaps the greatest endowment manager ever, one of the best institutional investors ever. And there are so many things I can say in response to that.

He had such a big influence on my investment philosophy. One thing, the first thing he taught us, I took his course, and he was my senior essay advisor. And one of the first things he taught us was that nobody can predict the market in the short term.

Nobody can predict exactly when recessions are going to happen. So, it's much better to take a long-term horizon, a long-term perspective. He was also very critical of funds that are paid just based on assets under management and therefore focus just on marketing and trying to keep their current clients rather than earning high returns for their clients.

And so, with my fund, I've tried to set things up differently. We don't charge a management fee, only a performance fee above a 6% hurdle rate.[5] So I only do well if the client earns a high return.

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[5] This statement refers generally to the Fund's Class A terms. The Fund offers multiple classes of interests with different performance-allocation terms. Class A interests are subject to a 25% performance allocation above a 6% annualized threshold, while Class B interests are subject to a different S&P 500-based threshold and performance-allocation structure. Please review the Fund's private offering memorandum and limited partnership agreement for complete fee and allocation terms.

I only do well if the client does well. And Swensen shifted the Yale Endowment's portfolio toward more hedge-fund-style investments because the incentive alignment was much better there. Swensen is also famous for shifting Yale to private equity and to venture capital and to hedge funds because the returns there seemed better than they were in mutual funds due to better incentive alignment and less competitive markets and less liquid markets where there were more opportunities.

But I think he would probably agree that the outlook now for venture capital and for private equity is not good because those asset classes are, although they've done very well over the last 40 years, they're essentially highly leveraged companies, oftentimes lower-quality companies that are riskier. They have a lot of exposure to the U.S. stock market. They're dependent on the markets for financing and for selling assets.

They're very illiquid asset classes. And so, if the U.S. stock market falls more than 70%, I would expect those asset classes to fall even more than 70%. So, it's not surprising that we've seen endowments like Yale and Harvard reducing their exposure to private assets.

But yeah, those are some good points.

[Julia]

Before I let you go, Brian, what is something that is keeping you up at night these days that's been on your mind, that risk for you? And then, to counter that, what's making you optimistic?

[Brian]

Yeah, I think for my fund, a lot of the things that worry most investors should be good for gold. So, I think I don't worry as much about an invasion of Taiwan, a terrorist attack, a stock market crash, a recession, more tariffs, or another pandemic; those should generally be positive for gold. But a sustained gold price decline, that could certainly cause a temporary decline in the fund's portfolio.

I think, as we talked about, the valuations of the portfolio are low, so our investments may not decline much if that were to happen. And I think we're headed for a crisis soon, which should send gold higher, as we talked about. But as far as what I'm optimistic about, I've been traveling outside the U.S. some this year. There are still so many people who say it's their dream to live and work in the U.S. So I've been talking about a lot of challenges the U.S. faces now, but I still think it has a better economic and political system than many other places. And so, when stock market valuations improve, when currency valuations improve, when real estate valuations improve, I think the U.S. should be a very good opportunity.

[Julia]

And where can folks find you, learn more about the work that you're doing at Hirschmann Capital, and any parting thoughts for this audience? The floor is all yours.

[Brian]

Yeah, sure. So thanks again for having me. I manage a fund that, even though it's been called the world's most bearish hedge fund, we've outperformed the S&P 500 over the last 11 years.[6]

Very tax efficient,[7] and as I mentioned, very good incentive alignment. And my fund's website is HCapital.llc, and I'm available on Twitter at HCapitalLLC. So thanks again for having me.

[Julia]

Brian Hirschmann, Managing Partner of Hirschmann Capital. Thank you so much for being so generous with your time, all of your knowledge, your wisdom, helping us all learn and get better. I really, really appreciate you, and I look forward to our next conversation.

Thanks again, Brian.

[Brian]

My pleasure. Thank you.

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[6] This performance comparison refers to the period from October 1, 2014, through November 16, 2025. Fund returns are presented net of applicable fees and expenses, including the performance allocation, and include reinvestment of dividends and other earnings. The S&P 500 comparison uses the S&P 500 Total Return Index. The S&P 500 is unmanaged, does not reflect fund fees or expenses, and is materially different from the Fund’s concentrated private-fund strategy. Past performance is not indicative of future results. Please review the Complete Returns PDF for full net-of-fee performance, benchmark information, and methodology.

[7] References to tax efficiency are general and historical only and should not be construed as tax advice or a guarantee of future after-tax results. Tax consequences vary by investor and may be affected by changes in law, investor status, investment timing, portfolio turnover, allocations, and other factors. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Fund.

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Performance data represents past performance, and past performance is not indicative of future results. Performance data is subject to revision following each monthly reconciliation and/or annual audit. Current performance may be lower or higher than the performance data presented. Performance calculations are based on Hirschmann Capital’s methodology described in the Complete Returns PDF and may not be directly comparable to performance presented by other private or registered funds. Investors may obtain the most current performance data and private offering memorandum for an HC fund by sending a request via email to info@hcapital.llc.

Returns are presented net of applicable Fund fees and expenses, including any performance allocation. The Fund currently does not charge an asset-based management fee. The currency used to express performance is U.S. dollars. Performance includes reinvestment of dividends and other earnings.

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