

in Go(l)d we trust



*When we have gold we are in fear...
when we have none we are in danger.*

Ancient proverb



where does Gold fit?

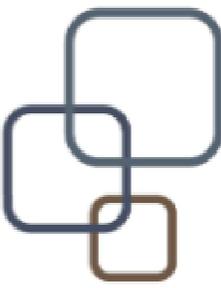
individual portfolio

- 7 asset classes

- **Durable Goods:** *cars, computers, fridges, etc.*
- **Cash / Currencies:** *all ready cash you have at home, bank cash accounts, etc*
- **Debt:** *all money parked in bank savings accounts earning interest; in bonds, etc.*
- **Real Estate:** *ownership of land, housing, etc.*
- **Equities:** *investments in stocks, mutual fund shares, private equity ownership, etc.*

- **Commodities:** *gold in bulk, forestry (timber), crude oil future contracts, etc.*
- **Collectables:** *fine wine, jewellery, art, coin collections, antiques, vintage cars, etc.*

***To invest successfully over a life time
does not require a stratospheric IQ. Warren Buffett***



where does Gold fit?

individual portfolio

Asset Class	Type of Game
Durable Goods	Negative
Cash / Currencies	Zero-sum game
Debt	Negative (sometimes positive)
Real Estate	Positive
Equities	Positive
Commodities (gold)	Positive
Collectables (gold)	Negative

*In the old days, gold stood behind paper money.
Nowadays, reputations do*



why buy Gold?

what professionals look for

- 4 triggers
 - 1) US Dollar weakness
 - 2) Inflation
 - 3) Low interest rates
 - 4) Geo-political crisis

Although theoretically gold's market value could go to zero, it would take 6.5 billion people agreeing that from now on gold has no more value



why buy Gold?

US Dollar weakness

- Another round?
 - 1) No yield
 - 2) Continuing trade deficit
 - 3) Endless fiscal deficits
 - 4) More QE



*Gold, unlike the Fed,
it is not a government bureaucracy, it manipulates no money supply*

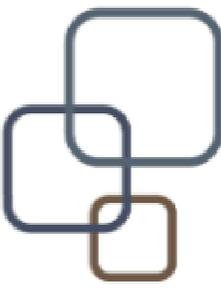


why buy Gold?

inflation up, interest rates down

G7	CPI	Key Interest Rates	Spread
USA	1.6%	0.25%	-1.35%
Japan	0.0%	0.10%	+0.1%
Germany	2.0%	1.00%	-1%
France	1.8%	1.00%	-0.8%
UK	4.0%	0.5%	-3.5%
Italy	2.1%	1.00%	-1.1%
Canada	2.3%	1.00%	-1.3%

Inflation is a rate of rise in prices sufficient to cause a change in human behavior



why buy Gold?

geo-political crisis

- It's not just in the Middle-East and North Africa
 - 1) Fall-out from a fiscal crisis in Japan
 - 2) Threat of a US-China trade war
 - 3) Doubts over the future of the Euro (Greece, Ireland partial default?)

That the appeal of gold has lasted for 6000 or more years is proof of its intrinsic value. There is not a single civilization that lasted that long.



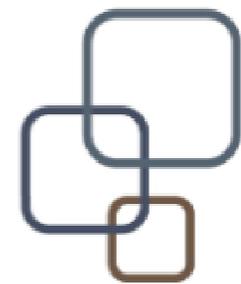
who is buying?

available Gold supplies

- 1) 160,000 tonnes of Gold have been extracted – enough to fill a tennis court
- 2) Every year mining companies extract around 2,400 tonnes



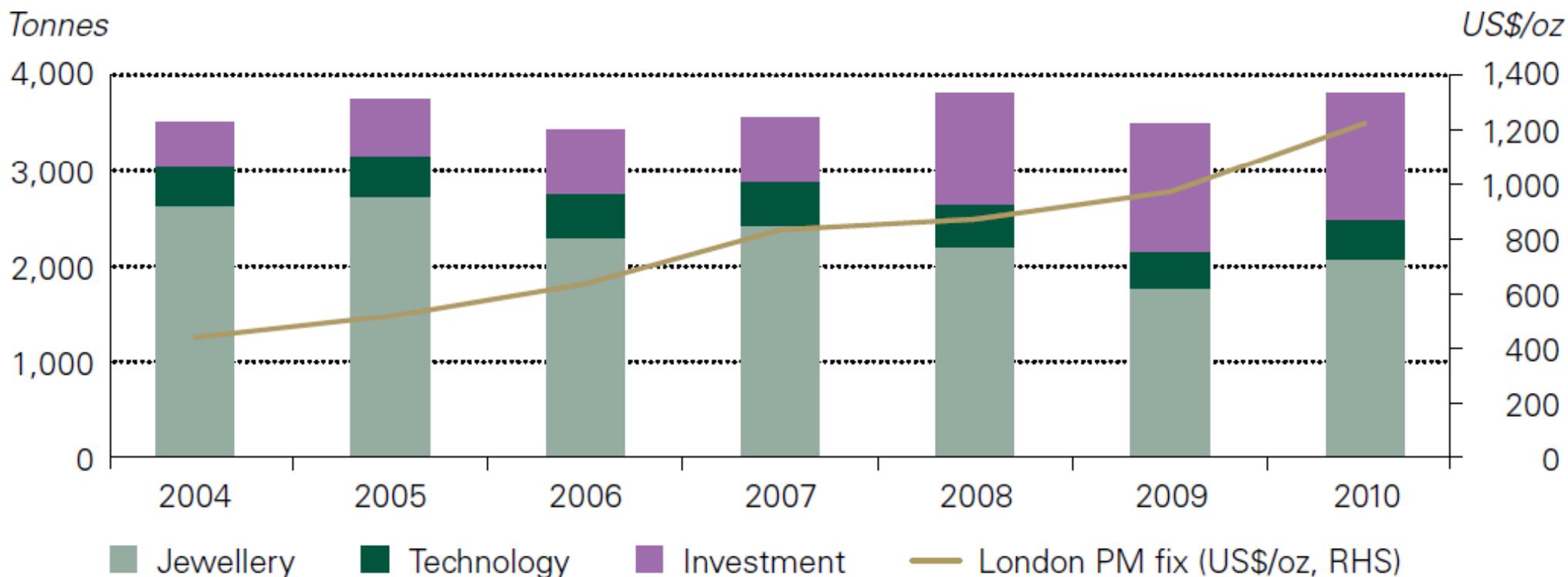
*To strike off a ton of new currency on a printing press takes no great skill.
Digging up gold out of the earth is a much harder proposition*



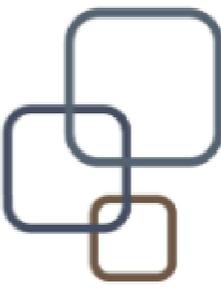
who is buying?

just blame it on the Chinese

Global gold demand (tonnes) and gold price (US\$/oz)

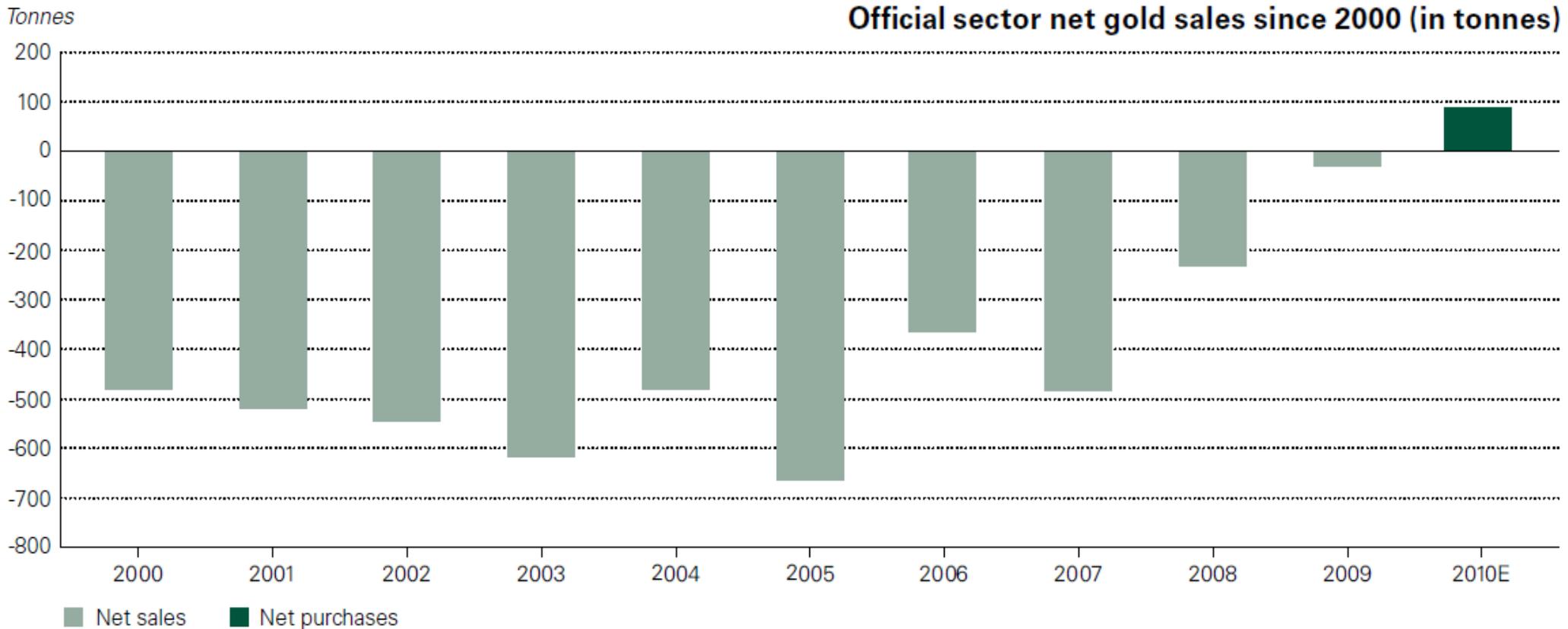


Note: Investment includes bars and coins; medals/imitation coins; and ETF and similar products.



who is buying?

central banks are back



*It's an investors bounden duty to take the world as it is,
not as it should be or could be*



when to buy? and when to sell it

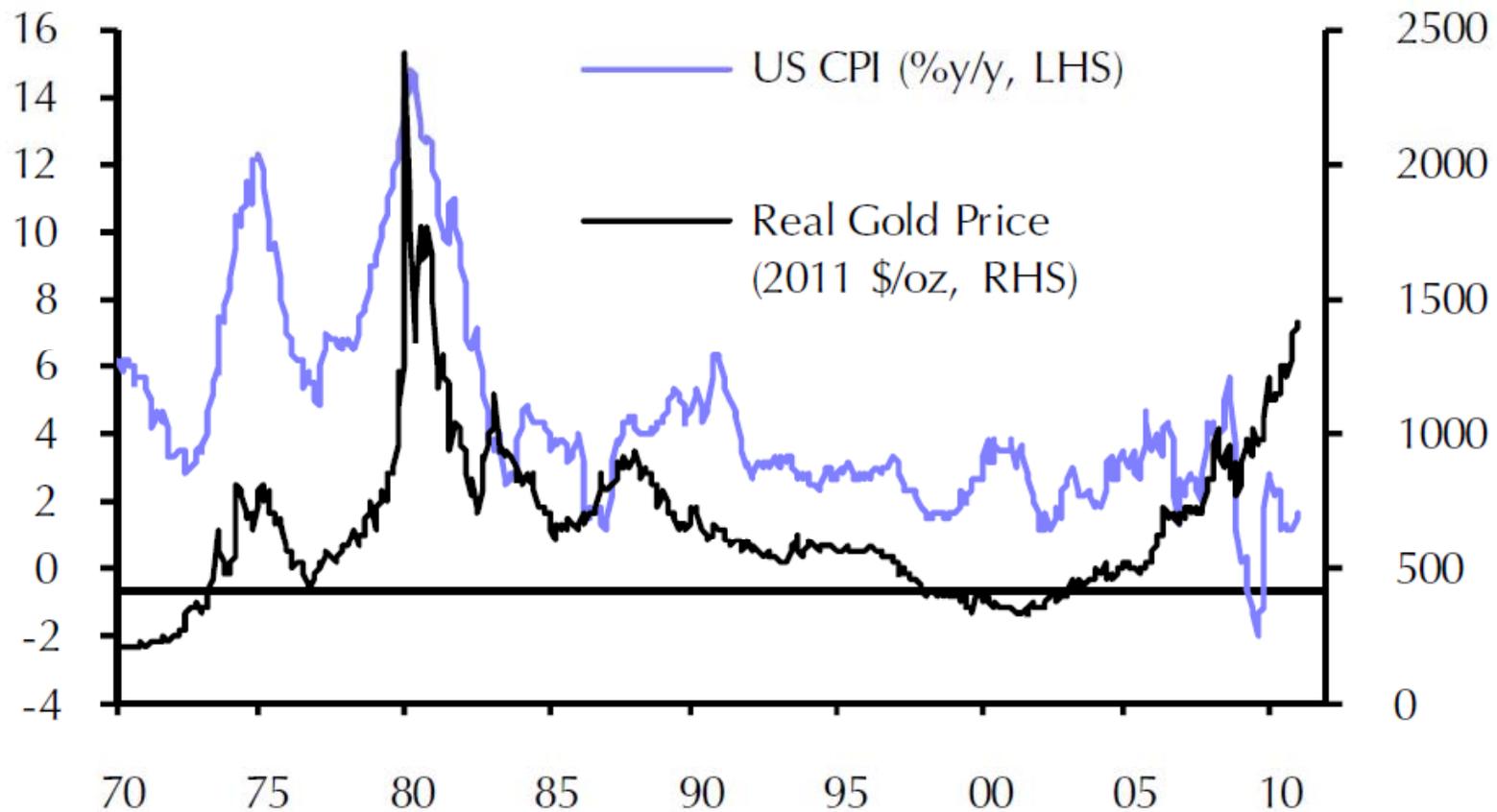
- Bull market 3 stages
 - 1) **Accumulation:** Smart money is buying. When the previous peak is surpassed a primary bull market is confirmed.
 - 2) **Big Move:** Usually the longest of the 3 stages; sees the largest advance in prices.
 - 3) **Excess:** the public is fully involved (cab drivers are buying) and confidence is extraordinarily high.

The value of something is what a consumer is willing to pay for it



when to buy? and when to sell it

Chart 1: US Inflation & Real Gold Price





how to buy it?

options for the individual investor

Type	Vehicle	The Bad	The Good
Tangibles	Coins, bars	Expertise and Storage needed	You can hold it
Intangibles	ETF's	Does the gold really exist?	Easy to buy/sell low fees
Intelligent Intangibles	Mutual Funds	Fees higher than ETF's	The gold exists Easy to buy/sell

If you can't touch it you don't own it

four investment rules



- Expats accumulate cash at the bank monthly but invest all in one shot

*Most people will try to invest (**buy**) a lump sum in the stock market when the markets have already climbed by a considerable amount (**expensive prices**)*

- Rule 1

Auto-pilot investments

four investment rules



- Expats believe house prices always rise in a steady upward path

In the UK between 1989 and 1995 the average house price fell by over 35 percent in real terms, and in Japan, from 1990 to 2000 it fell by 60 percent

- Rule 2

House prices must rise in line with income

four investment rules



- Expats suffer from “home/company bias”

*Investing in the country where you earn a living doubles your risk.
During an economic downturn you may lose your day job
and also your savings*

- Rule 3

Diversify

four investment rules



- Expats have money in many buckets

Individuals tend to have several bank accounts, several investment and savings accounts, and usually can't tell if they are making money or losing and why

- Rule 4

Simplify complexity. Use three buckets only:

three buckets

