

Alps Precious Metals Group

Monthly Commentary and Update

August 2019

Hong Kong – Then and Now

The genesis of the company that became Alps Precious Metals came to pass 5 years ago in the late summer of 2014. A dear friend who is the patriarch of a long-established Family Office called to ask if I could help him research the feasibility of building a privately owned and operated Precious Metals storage and trading company. I eagerly agreed to join the nascent team for the project and so the journey began. The first presentation I created focused on the need for alternative locations/jurisdictions for non-bank/non-brokerage/non-government Vaults. Below is a particular slide that was as germane in November of 2014 as it is now:

Hong Kong – Safe Jurisdiction?

"Hong Kong clearly has its work cut out holding on to its role as the entry way to [investing in] mainland China," warns Deutsche Bank's Chief Economist Taimur Baig as he reflects on the civil disobedience this weekend. Even before this weekend's riots, Baig believes "Hong Kong will have to shape up," and while his base case suggests the unrest will not have a major detrimental effect on the economy per se, he fears it will add to investor angst - and along with macro uncertainty - leaves Hong Kong more precariously positioned than Singapore as Asia's major financial capital. *(October 2014)*



So, is the current unrest in Hong Kong another “brief episode of Geo-Political turbulence that represents another ‘Risk-On’ opportunity”, or something far more important?

The major difference between the unrest in Hong Kong 5 years ago and today is that, in 2014, the People’s Liberation Army was not massing troops near the Hong Kong border. Should Beijing decide that a large enough proportion of their Mainland population getting some bright ideas of airing their grievances against the Chinese Communist Party is a risk greater than sending the PLA into Hong Kong to pacify, stabilize and bring it into “a new reality”, then the concept of “Risk-On” will be replaced by “Game-On” geo-politically. One outcome could be some sort of war; and one thing all market participants know for sure – global stock markets *HATE* war.

If Hong Kong is transformed into a PLA-administered martial law zone, their Beijing masters may get very curious about just what sort of treasure lies within the innumerable vaults scattered about the Island. Might help with any sort of budget shortfalls or banking problems The Middle Kingdom currently has. Point being, of course, that for those who have any amount of Gold held with any type partner in Hong Kong, alternative jurisdictions suddenly make a great deal of sense.

Epstein and Western Justice

Last fall when the Kavanaugh circus was in full swing, we suggested that events such as that spectacle could be preludes to the advent of “Unknown Unknowns” which would lead directly to **a loss of confidence in the system** – which is the true nightmare of the current status quo powers that be in government, central banking/most of the financial industry, and multinational corporations; or perhaps better said, “The Davos Crowd”. When the news of Epstein’s “suicide” hit the computer screens around the world, one could almost hear the simultaneous collective roar of an innumerable amount of words spelled something like “#!*@\$%&#!!!!!!!!”

The world is a better place with Epstein not in it. However, he had a story to tell. And the spectrum of those who wanted to hear what he had to say was wide and deep. First and foremost, his young women victims who deserved the opportunity to see justice done to him. But how about, “MeToo”?; those who know the Clintons are no good?; those who know Trump is no good?; those who simply want to see those who should receive justice actually receive it. None of this will come to pass due to Epstein’s convenient exit from the stage.

This whole affair stinks to highest heaven. Due process? Hardly, when the defendant doesn’t **survive** to stand trial. Guards asleep, no suicide watch, no cameras in the cell, etc., etc. – once again, a complete farce. Where are the resignations or firings?!? Not of the minions at the scene, but of those who should have ensured this could not happen. No accountability, no consequences, and essentially no rule of law. What we have is the law of the jungle, the law of the streets, the law of organized crime, the law of Might makes Right.

We wrote the following last September. It is arguably truer and more relevant today:

If the stainless-steel framework of the world in which we live and interact is in the midst of a “metal fatigue” moment – and if the Magna Carta-enshrined right to due process is up for grabs, know surely that “metal fatigue” it is – then one must truly begin to reassess the odds for a “tail-risk” repricing of assets around the globe. In fact, one must reassess everything. As we’ve proffered in the past, when the confidence is lost in the general status quo of a country’s – or the world’s – government/financial system, having hard money in one’s portfolio becomes an essential element of surviving the market stress that is commensurate with the same. As current events continue to chip/smash away at the underpinnings which have made possible the lives citizens of the West have been blessed to know, a return to the Old Paths – and Old Money – is likely to be necessary to navigate the uncharted waters ahead.

Back to Basics

August of 2019 marks the 3rd year in business for Alps Precious Metals Group and we are eagerly anticipating what the coming months and years have in store for our company and our clientele. Given this milestone, we believe a return to the “basics” is warranted as to why one should own Physical Precious Metals, while trading and storing the same with a non-bank/non-brokerage/non-government partner. A European advisory group originally asked for this brief and we believe it is worth sharing with all of our clientele and prospects.

The following makes the succinct case for why an Institution, Family Office and/or Individual should own Physical Precious Metals, as well as why we believe we should be one of the partners one chooses to trust with the storage and trading of the same:

Rationale for adding Gold to Investment Portfolios

- Gold is an extremely liquid asset: At \$112 billion daily volume, the liquidity of Gold is just shy of that of the S&P 500, and greater than that of the Euro/Yen currency pair and over 4 times that of Dow Jones stocks.
- Gold is negatively correlated to stocks: Since the U.S. Dollar became completely untethered from Gold in 1971, Gold’s price INCREASED in seven of the nine S&P 500 downdrafts of 19% or more (average price appreciation during those periods = +7.9%).
- Gold increases in price during recessions: During U.S. recessions since the 1970, Gold’s price rose on average by +20.8%.

- *The countries of the World and their Central Banks are adding Gold to their sovereign assets:* Led by China and Russia, which have increased their respective Gold hordes by 10-fold over the last 25 years, many countries around the globe have materially increased their Gold holdings, and/or repatriated their sovereign Gold held with Western banks and governments, bringing their physical specie back to their home country.
- *Gold can protect one's wealth from confiscation in a Financial Crisis:* Gold, if stored with a partner firm which is not a bank, brokerage house or government, will not be subject to being "bailed-in" (ie, confiscated) in a 2008-style financial maelstrom. Bail-in procedures (e.g., transforming a bank deposit into an equity position) to stabilize banks is settled law in most countries around the world.
- *Physical Gold and Gold equities represent a mere 1.4% of the value of total Global assets:* The most minimal increase in the general allocation of Gold (and other PPMs) by global institutional money managers will materially increase their values.
- *New Supply of Physical Gold is diminishing around the world:* This natural support for Gold prices is due to a lack of new discoveries, egregious (and getting worse) global regulatory requirements for obtaining mining permits, as well as decaying mine lives of major developed global Gold deposits.
- *Adding Gold as an asset is being recommended by a number of mainstream Institutions:*
 "...those (investments) that will most likely do best will be those that do well when the value of money is being depreciated and domestic and international conflicts are significant, such as Gold....I believe that it would be both risk-reducing and return-enhancing to consider adding Gold to one's portfolio...." - Ray Dalio: "Paradigm Shift", July 17, 2019

"...physical Gold in a Vault (is) the true hedge of last resort...." – Goldman Sachs, September 5, 2017.

Alps/LPM as your Gold storage and trading partner

A new Private Banker

If an Individual, Family Office or Institution is convinced that Gold (and/or other PPMs) is a mandatory addition to an Investment portfolio, Alps believes we are a prime competitor for the storage and trading business that will naturally arise from that conviction. The bullet points for why we have this belief are as follows:

- We own and operate a Private, State of the Art, Class 10 Vault which is NOT in the banking system.
- 100% insurance coverage via Lloyd's of London and Marsh on clients' SPECIFIC physical specie.
- Individually allocated, Physically segregated AND Daily tradable PM holdings in bullion or coin form.
- Higher than LBMA-standards certified bars (999.9%/Swiss production) via Argor-Heraeus, Valcambi and others.
- Daily liquidity via LPM subsidiaries Liemeta or Rheingold-Edelmetall (on-line or live trading).
- Auditing and Withdrawal of holdings at the discretion of the Client.
- Liechtenstein: a differentiated country enjoying the benefits of Switzerland with none of the downside.
- In Europe, given Gold's status as a monetary substitute, taxes are not incurred on Gold holdings and trading. Neither are taxes incurred for "white metals" (Silver, Platinum, Palladium) when held and traded within LPM's Bonded Warehouse (OZL, AG).

- Capital for LPM supplied by two private Family Offices, one of which is also is the Executive Management team.
- A very small operational staff insures the sanctity of our clientele's interests and privacy.

While other private competitors for Precious Metals storage and trading exist in the global market, we believe virtually none can offer you the full combination of the benefits we deliver: Jurisdiction of Liechtenstein (the country which sets the global standard for respect and honor of private property); Highest Rated Private Security Vault; NOT part of the Banking/Financial/Government system; 3rd Party Insurance from Lloyd's of London and Marsh; client holdings available for Audit and/or Withdrawal at any time; and a full trading desk providing daily liquidity.

Essentially, we believe that we have claimed the mantle of what Institutions and Individuals used to identify as a "Private Bank". With our firm, our clients' deposits are, in fact, **deposits** over which we are their steward, not their master. We look forward to competing to be the trusted storage and trading partner of those who have or desire to have a material position in Physical Precious Metals.

Alps and Liechtenstein Precious Metals

Alps Precious Metals Group via our partnership with Liechtenstein Precious Metals Group is dedicated to providing the global standard for the finest and most secure storage and trading of Physical Precious Metals. Our Vault is constructed to one of the highest security standards in the world ("Class 10") and, via our relationship with Lloyd's of London and Marsh, insures each client's specie at 100% of its market value. Our trading desk provides liquidity on each and every business day with as little as next day settlement. All of these benefits are enjoyed while simultaneously being freed from the status quo global financial system. For U.S.-focused clients, our partnership with St. Joseph Partners of Delaware addresses all U.S. Domestic-only business. Contact us (www.alpspmg.com) to discuss how APM/LPM can become a trusted partner in the creation, protection and utilization of the hard money portion of your portfolio.

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