

Alps Precious Metals Group

Monthly Commentary and Update

July 2017

- A) **The Rivendell of Precious Metals**
- B) **New Postcards from the Edge**
- C) **'Tis the Season?**

The Rivendell of Precious Metals

"...The world is indeed full of peril and in it there are many dark places. But still there is much that is fair...."

"...Such is oft the course of deeds that move the wheels of the world: small hands do them because they must, while the eyes of the great are elsewhere...."

The Lord of the Rings – J.R.R. Tolkien

A small percentage of the small percentage of the global investment community that is involved in the Precious Metals sector has a portion of their exposure to the asset class in Physical form. Physical not via a paper vehicle – such as GLD, PSLV or CEF – but actual ownership of the actual bullion (and/or coins). As the storing of physical assets are part and parcel of their ownership, many individuals and some institutions have their own personal vaults or safe rooms where their gold or silver is kept. However, the bulk of the physical specie is held in storage by 3rd parties who safekeep it for others in high-security vaults. Those 3rd parties are either government entities (eg, The Royal Canadian Mint), banks (eg, JP Morgan, Julius Baer, et.al.) or other private companies (eg, Brinks, Loomis, Gold Switzerland, etc.).

To have such actual ownership means that one's Gold/Silver bullion bars have particular serial numbers which are registered and certified in his name (or Institution's name). If his Physical precious metals are not held in a personal vault, the owner may choose to take delivery of some or all of his bars by notifying the 3rd party safekeeping his holdings of his

decision. This ability to have complete and total control over one's Physical asset - to the point of taking physical possession of it, keeping it on one's own property and "standing in front of the stack of it with a gun" in case there is any confusion as to the true owner - is what sets apart the various and sundry alternatives in the "long Physical Precious Metals" arena.

When considering the 3rd party that will be entrusted with one's bullion, an interesting paradox arises. The driver for much of the demand for Gold and Silver is the buyer's distrust of nearly all of current governments around the world, as well as a similar distrust for the global financial system. Yet, the vast majority of physical specie is held in the vaults of these very same entities. Even in most non-government/non-bank alternatives, some form of obtrusive government can overwhelm such private firms which have the best of intentions in terms of protecting their clients' assets. All of these issues beg the question: Is there any spot on the globe where one can store Precious Metals without being at contraposes with the very impulse that led to the purchase of the specie in the first place?

Near the headwaters of the Rhine River, nestled between the far western tip of Austria and the eastern border of Switzerland lies the tiny country of Liechtenstein. Few are the places on the earth which are blessed with such an overwhelmingly beautiful visage. The Rhine defines most of the country's western border with Switzerland, while the mighty Alps define the Eastern border. Quaint towns, villages and hamlets adorn both the little valley and high mountain plateaus. Liechtenstein is NOT one of the world's dark places, and most who live or visit there would rightly call it "fair".

Essentially the last remnant of the Austrian/Hungarian Empire, Liechtenstein remains a Constitutional Monarchy, governed by Prince Hans-Adam II of the Princely House of Liechtenstein. Trained in business and as an economist at the nearby (and well respected) University of St. Gallen, Hans-Adam is a man who is dedicated to free markets, direct democracy, small government, the sanctity of private property and the importance of the honor of keeping promises – see especially the following link which best describes the Principality's solid history: [https://en.wikipedia.org/wiki/Russian_Monument_\(Liechtenstein\)](https://en.wikipedia.org/wiki/Russian_Monument_(Liechtenstein)). The Prince has made this evident in his speeches and relatively prolific writings. In particular, he believes that a Royal Family only has legitimacy if the people give their perpetual consent to the Family's role and status. Two testimonies to the fact that Hans-Adam knows what he is doing and is generally loved by his subjects include: A) In 2003, a referendum to adopt the Prince's revision of the Liechtenstein constitution to expand his powers was passed; and, B) In 2012, a proposal to limit the Prince's power was rejected by 76% of the electorate. This partnership between the Head of State Royal Family and the

people of Liechtenstein is over 300 years old, making it arguably the most solid and long-standing government on earth.

These attributes of the Principality of Liechtenstein are absolutely crucial for those investors searching for the most optimal place to store their Physical Precious Metals with a 3rd party that is not associated with the status quo banking system. Why? Because having trust in the rulers of a jurisdiction to honor, maintain and subject themselves to the rule of law, without falling prey to the temptation of changing the rules to suit their own needs and/or maintain the status quo, is imperative for the viability of the concept of storing and trading one's Precious Metals outside of his personal possession.

If one spans the entire globe searching for a jurisdiction dedicated both present and future to the principles of true freedom and the sanctity of private property, along with an historical track record which certifies that dedication, he will not find any other State which can match Liechtenstein. While the great powers of the world make all the headlines and are preoccupied with all sorts of concerns that add nothing to the life, liberty nor the pursuit of happiness of their citizens or mankind in general, one small country carries on doing the things that must be done so that a standard is set for all others.

Upon this bedrock of a jurisdictional foundation, one can then begin to compare and contrast Liechtenstein Precious Metals with his alternative options as to 3rd party private Precious Metals storage and trading companies. That discovery process will lead to the conclusion that LPM is at the very least a PART of the overall solution for safekeeping and providing liquidity for one's Precious Metals assets via an out-of-the-banking-system private storage and trading firm.

The attached spreadsheet compares and contrasts the general spectrum of physical specie storage and trading alternatives on the market. While there are many benefits to many of LPM's competitors (primarily, diversification of concentration/location risk), what the table demonstrates is that there are no other firms which can offer the investor in Physical Precious Metals the entirety of the attributes LPM has.

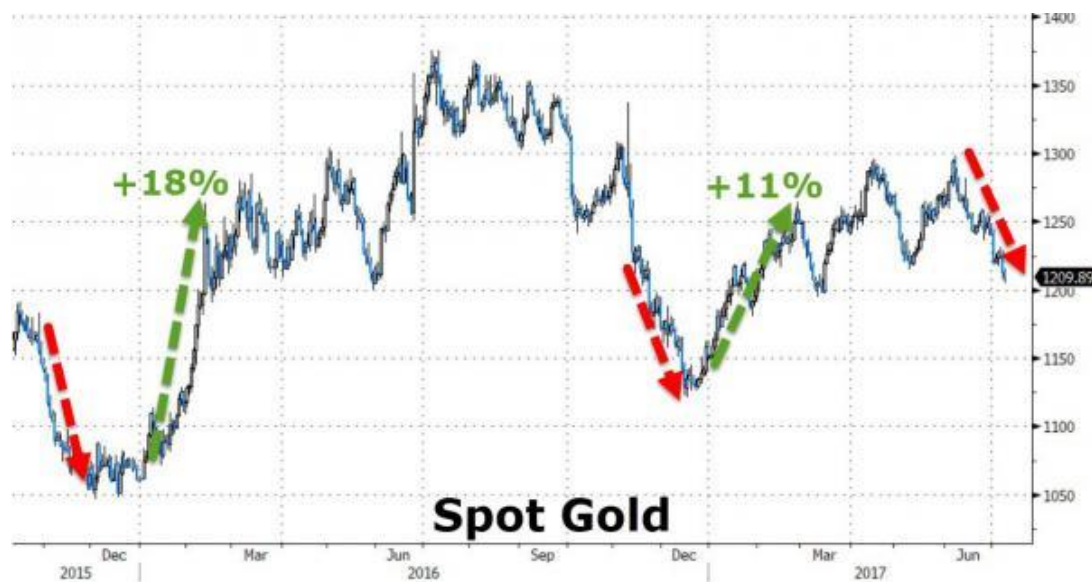
Tolkien's "Middle Earth" is an amazing array of very dark and amazingly illuminated settings. While the great author was adamant that his stories were not allegories, the descriptions of the landscapes he created certainly resemble familiar places. One would be forgiven if he believed that Tolkien's good and peaceful haven of Rivendell, beautiful and surrounded by mountains, was modeled from the author's observations on a visit to Liechtenstein. For an investor who desires peace of mind when he deposits his physical precious metals for safekeeping in a vault, he will find no better means of obtaining that comfortable state than by conducting his business in the Principality via LPM.

More Postcards from the Edge

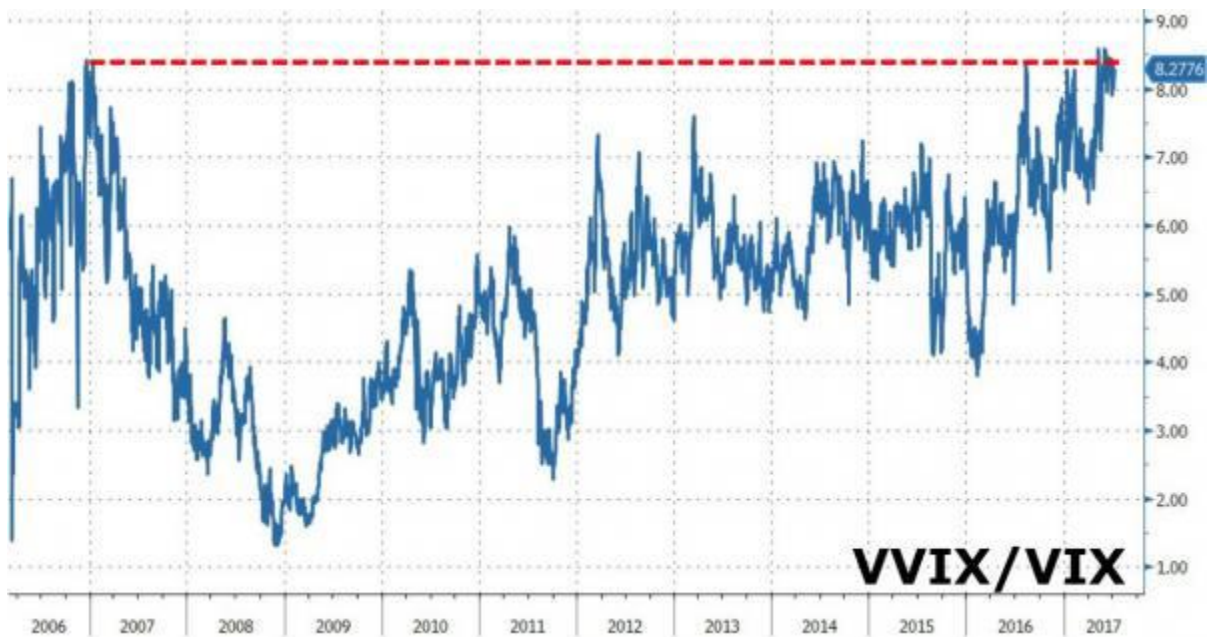
(Bloomberg, July 10, 2017) – "...Gold is suffering its worst drawdown this year, and hedge funds are betting more losses are in store... but ***judging by the precious metals' performance the last two times hedgies piled in like this, the 'smart money' may be about to get a nasty surprise...*** signs that global central banks, including the Federal Reserve, are moving closer to unwinding economic stimulus helped **boost bearish bets on the metal to the highest in almost 18 months.**



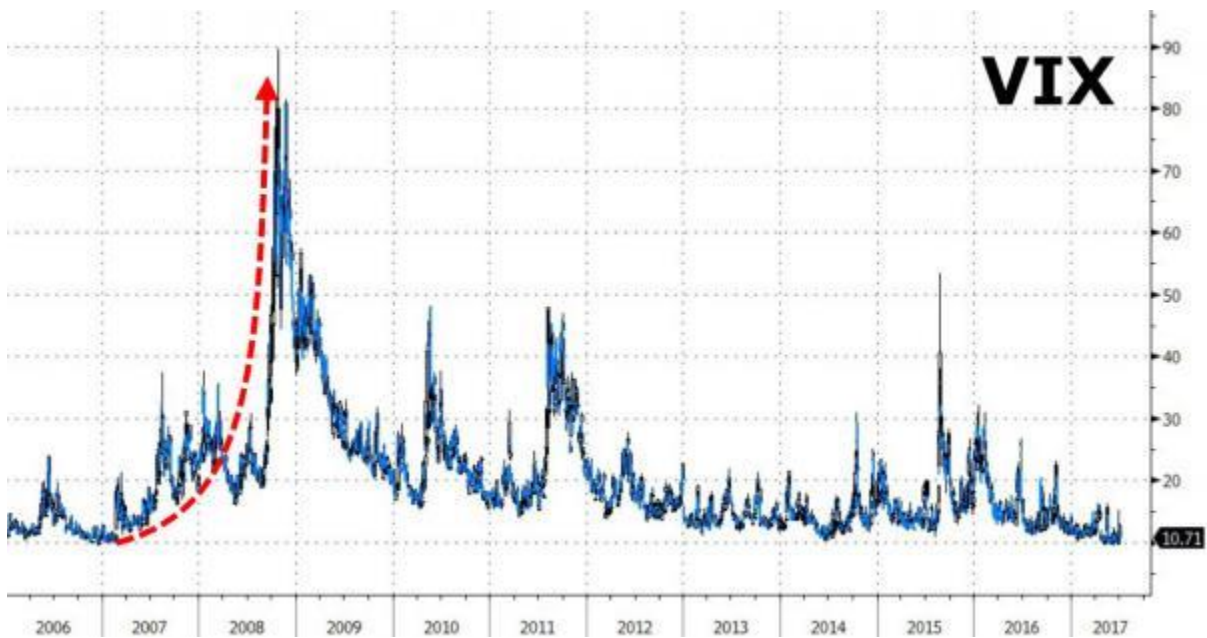
Gold futures posted a fifth straight weekly loss on Friday, the longest stretch since December. **We've seen this pattern before...**



“...Expectations for higher VIX uncertainty (VVIX - VIX of VIX) are at their highest relative to VIX since Dec 2006...”



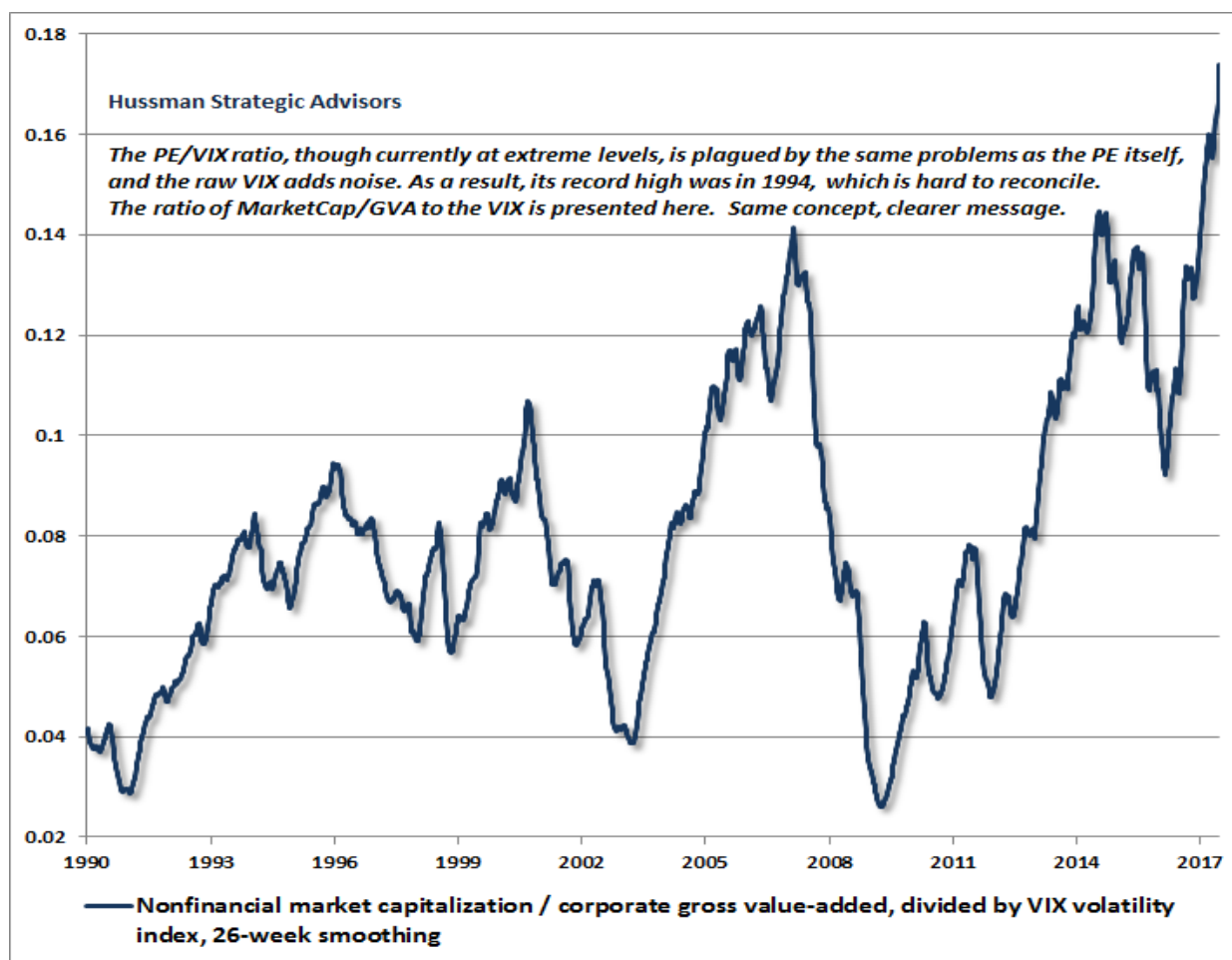
Which just happened to mark the beginning of the end of the great moderation and the start of chaos in VIX...”



(Source: Zero Hedge)

“...In his 1955 book, *The Great Crash*, economist John Kenneth Galbraith wrote: “Of all the mysteries of the stock exchange there is none so impenetrable as why there should be a buyer for everyone who seeks to sell. October 24, 1929 showed that what is mysterious is not inevitable. Often there were no buyers, and only after wide vertical declines could anyone be induced to bid... Repeatedly and in many issues there was a plethora of selling and no buyers at all....”

While we find the ratio of [MarketCap/GVA](#), without any modification, to be powerfully correlated with subsequent long-term S&P 500 total returns, it's interesting that current valuation extremes are joined by extraordinary complacency among investors, as measured by the CBOE volatility index.... One indicator we've seen to capture this dangerous setup is based on the ratio of the S&P 500 P/E to the VIX. The problem is that this indicator is plagued by the same problems as the P/E itself, namely that it is heavily affected by swings in profit margins over time. The chart below shows the ratio of MarketCap/GVA to the VIX. Again, this illustrate(s) the breathtaking extent to which current valuation extremes have been joined by investor complacency....” (excerpt from *John Hussman Commentary*, 7/3/2017)



'Tis the Season?

While the “Sell in May and Go Away” adage normally works well for stock investors, the timing of the calendar is a bit different for Precious Metals. In general, one would be wise to have a hefty amount of dry powder ready to invest in August. For as the graph below details, August to February is the time to be involved in the Precious Metals sector. The following is an excerpt from “In Gold We Trust” by Ronald Stoferle and Mark Valek:

We already discussed gold's pronounced seasonal patterns in previous reports. As the long term seasonal chart below illustrates, gold prices typically rise from early August to the end of February. The vast bulk of gold's 7.5% average annual price gain is generated in this time period. By contrast, the seasonal return generated in the remaining 167 days from 21 February until August 6 amounted to a negligible 0.30%.

Gold price in USD terms, seasonal pattern over the past 46 years¹⁴⁴



Source: www.seasonax.com

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 the highest security standard in the world (“Class 10”) and, via our relationship with Lloyd’s of London, 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. 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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