

Alps Precious Metals Group

Monthly Commentary and Update

June 2018

A Tale of Two Committees

We believe that the case for owning Physical Precious Metals in today's market's is driven by three main premises: 1) Hedging against the status quo financial system undergoing its third crisis in 20 years; 2) "Being on the same side of the trade" as global Central Banks; and, 3) General Relative Value. In terms of reasons "2)" and "3)", some brief thoughts: As can be seen in the widely available statistics to which we have alluded in previous commentaries, all major Central Banks and Governments around the world are the largest owners of Gold and Silver specie; we suggest that it is wise to own what the CBs and Governments own – which they do for a reason, or, better said, SEVERAL reasons. In terms of relative value, Gold and Silver are inexpensive compared to a stock and bond market which have enjoyed historic runs. While those reasons are compelling of their own accord, this month's commentary and accompanying pitchbook is focused on what we believe is currently the strongest reason to own physical Gold and Silver – the need to hedge against yet another financial system crisis.

Many Institutions and Family Offices believe as we do that material risk of another financial sector maelstrom exists and, as such, needs to be hedged in some manner. Such a "tail risk" event is often hedged via a Long position in Physical Precious Metals. However, in what strikes us as a head-scratching contradiction, the physical Gold and Silver assets are quite often held within the very same Financial Sector which is being hedged! When Precious Metals are held with time-tested private Swiss Banks, the counter-argument is that the Swiss Bank institutions are generally beyond reproach and one need not be concerned with the sanctity of one's Gold/Silver, even in another iteration of a global financial meltdown. Our response to this argument is that when the current episode of monetary and fiscal "steroids and morphine" wears off or is removed, the economy and markets will be seen for the "never addressed the disease" state in which they remain from 10 years ago. As a result, we believe that ALL financial system institutions – inclusive of Swiss Banks –

will be in jeopardy of systemic paralysis, and consequently turn to the new procedure to deal with their problems – Deposit Bail-Ins.

We believe that any and all deposits in Banks will be fair game for Bail-In – including deposits of Physical Precious Metals. This is especially true for European and Swiss Banks as European governments consider Gold to be a monetary equivalent. Should a crisis come to pass, even those Precious Metals deposits which are specifically allocated by individual owner and physically segregated within the private Swiss Bank’s vault will be at risk of being bailed-in along with cash deposits.

Is this scenario far-fetched? We argue “Not at all” given the experience of Cyprus in 2013 as well as the enormity of problems that will emanate from the demise of, say, Deutsche Bank, arguably the most globally intertwined bank on earth. The most up-to-date trading behavior of Globally System Important Banks suggest that focus on this issue would be wise:

Exhibit A – Last 12 trading days have been the worst downdraft streak in “XLF” history:

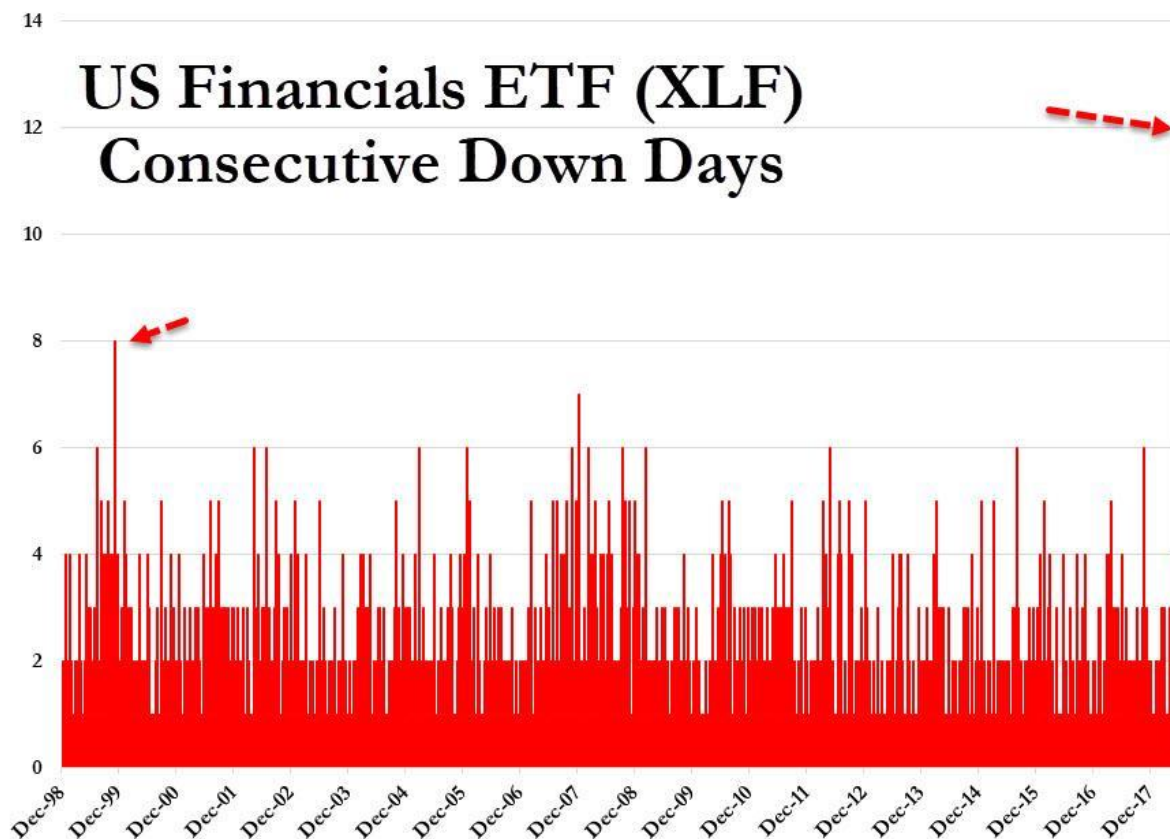
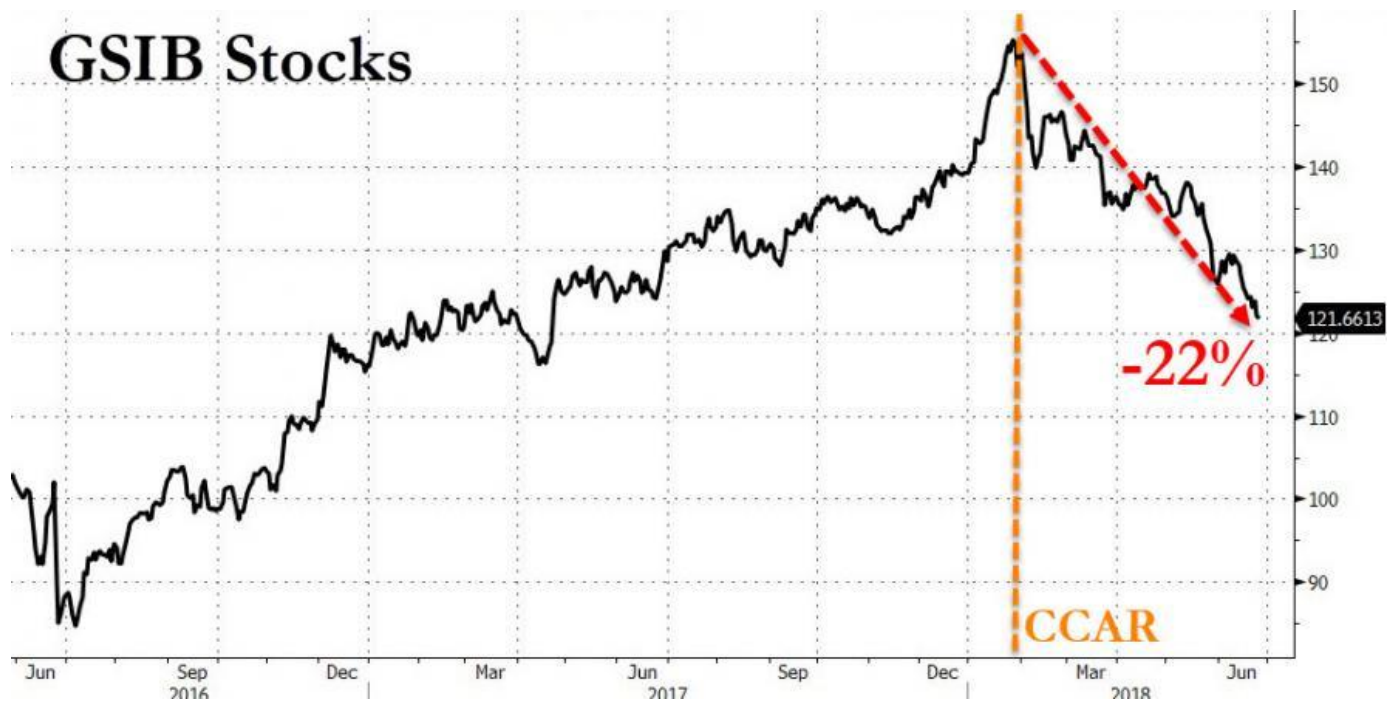


Exhibit B – The largest U.S. Banks are all down for 2018 beginning with the publication of the Comprehensive Capital Assessment and Review (“CCAR”, aka, “Stress Tests”):



Exhibit C – Globally Systemically Important Banks down 22% since “CCAR”:



This “Tail Risk” simply needs to be defined by an Institution’s Investment Committee; once identified and assigned a probability, it should then be promptly addressed via a review of where one’s Gold and Silver are held. We believe that we at Alps/LPM offer one of the most comprehensive solutions to the trading and storage of Precious Metals, and thereby can compete against any alternative solution by virtue of our jurisdiction of independent and financially sound Liechtenstein, complete detachment from the status quo financial system and Lloyd’s of London, third-party insurance to fortify the trust given by our clients to us.

If you will now turn your attention to our latest presentation, the following comments accompany each slide:

Slide 2 – Can the world experience another “2008 – 2.0”? We strongly suggest it can and will.

Slide 3 – Please especially note the underlined portion of the quote. Laws around the world have been changed to allow Bail-Ins to occur immediately, if necessary. Deposits are absolutely at risk to be Bailed-In.

Slide 4 – The 5 largest U.S. Banks hold 40% of ALL U.S. Bank deposits

Slide 5 – From FDIC hard figures, note how overwhelmed the FDIC is by a potential event, as well as how staggering the percentage of large deposit assets which are at risk of Bail-In.

Slides 6 & 7 – Derivative Exposure is FAR larger than it was in 2008 and is LESS protected. A relatively small credit event would put a substantial amount of deposits at risk of Bail-In.

Slides 8 – 14 – Two Investment Committees with two different approaches. The narrative of the decisions and the outcomes based on recent historical experience. Moral? If a maelstrom comes to pass, a material position in Precious Metals *OUTSIDE* the financial system will reap benefits.

We look forward to reviewing this presentation with you personally.

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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