

GOLD – THE MONEY OF LAST RESORT

*Seeing Beyond Economic Confusion from the
Vantage Point of Gold*

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President & CEO, Bullion Management Group Inc.



BULLION
MANAGEMENT
GROUP INC.

Overview

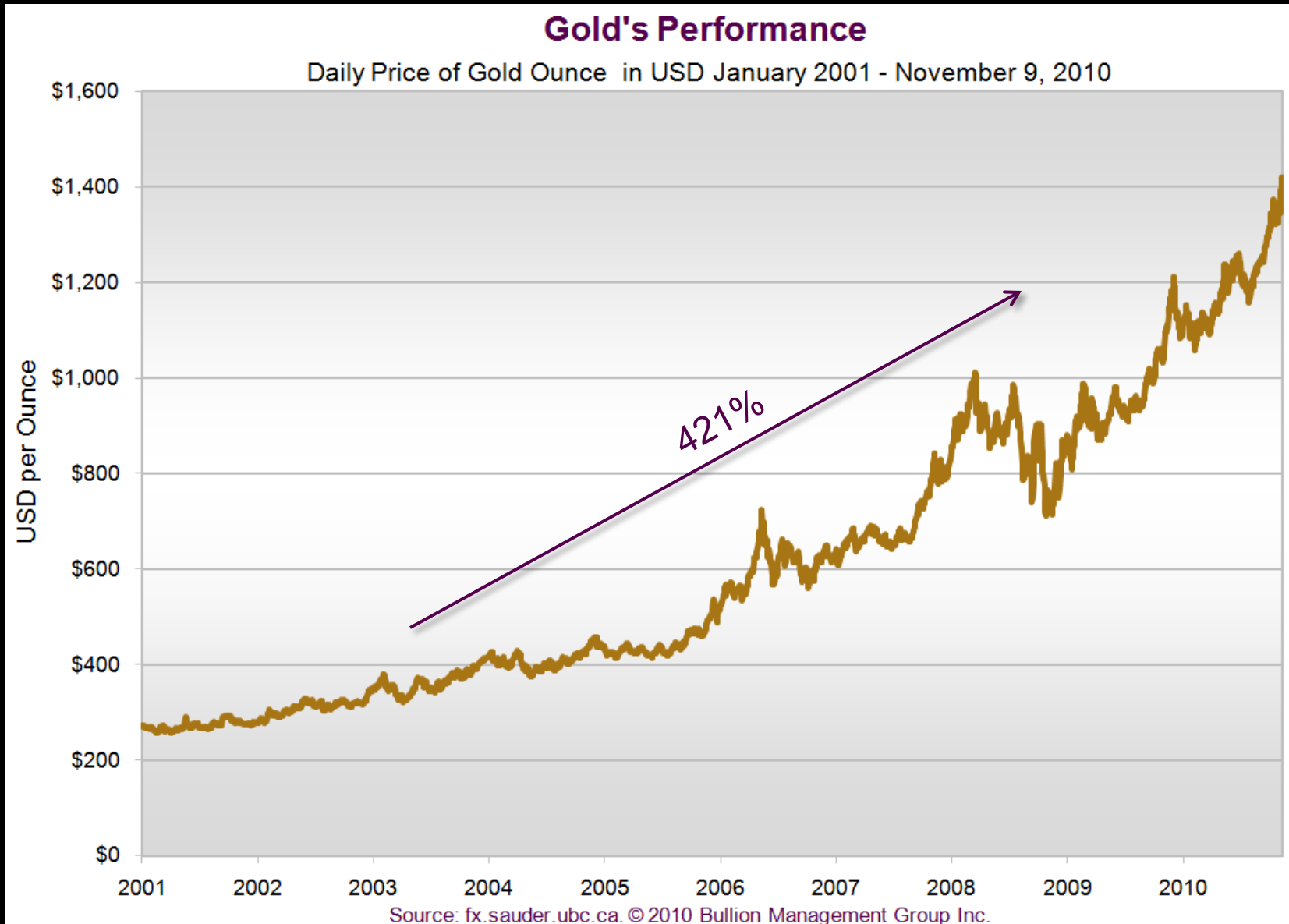
- Why Gold
- Trends
- Portfolio Allocation
- BMG Products
- Future of Gold

Bullion Management Group Inc.

- BMG formed in 1998
- Launched BMG BullionFund in 2002
- BMG BullionBars 2008
- BMG Gold BullionFund in Dec 2009
- \$460 Million AUM
- 8,000 investors globally
- Approved by all major banks and brokers in Canada

WHY GOLD?

WHY GOLD? Gold's Performance

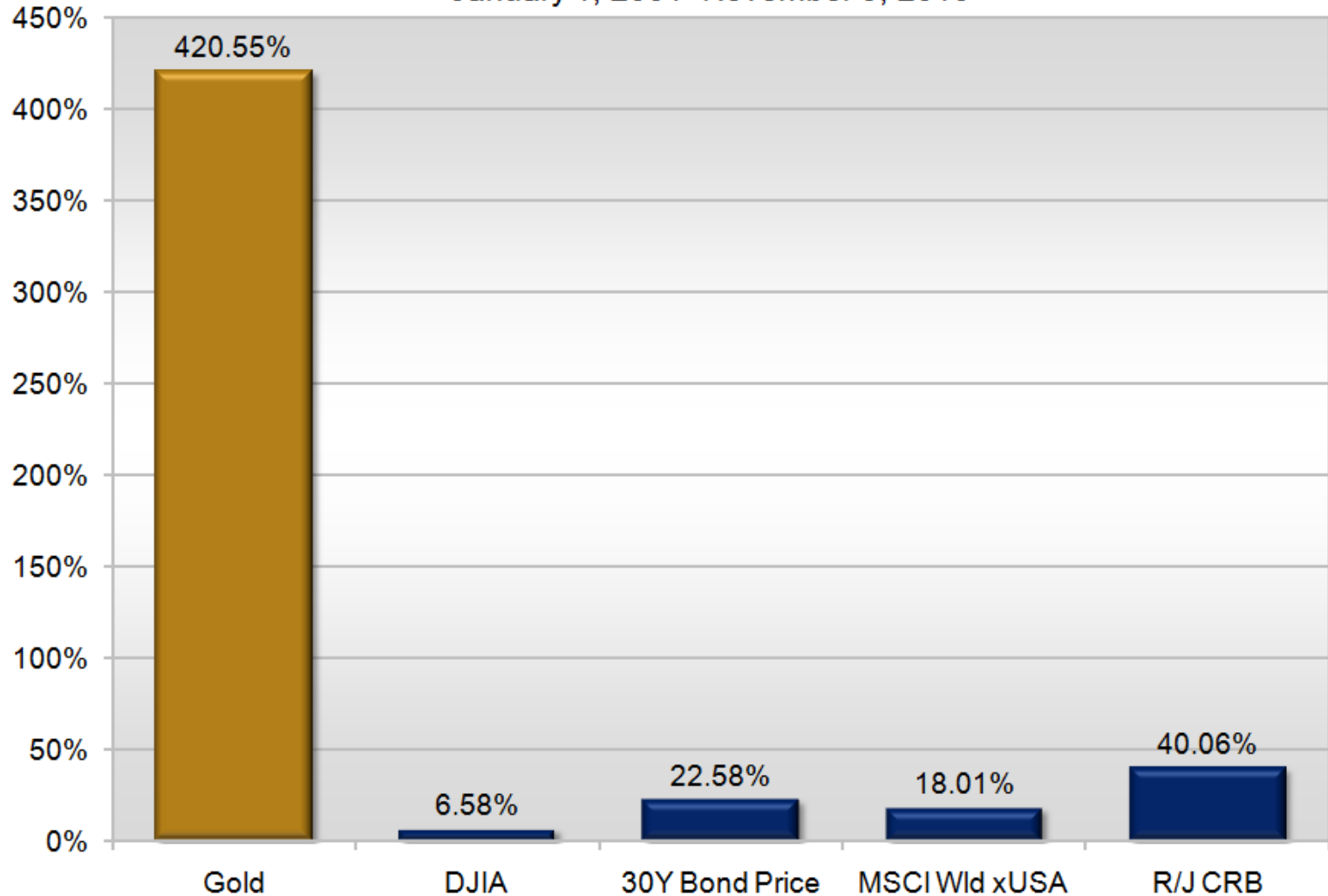


Gold's value has risen 421% over the past 9 years

Why Gold? Gold vs. Indices

Gold vs. Investment Indices Performance

January 1, 2001- November 9, 2010



Source: YahooFinance, Stockcharts.com, © 2010 Bullion Management Group Inc.

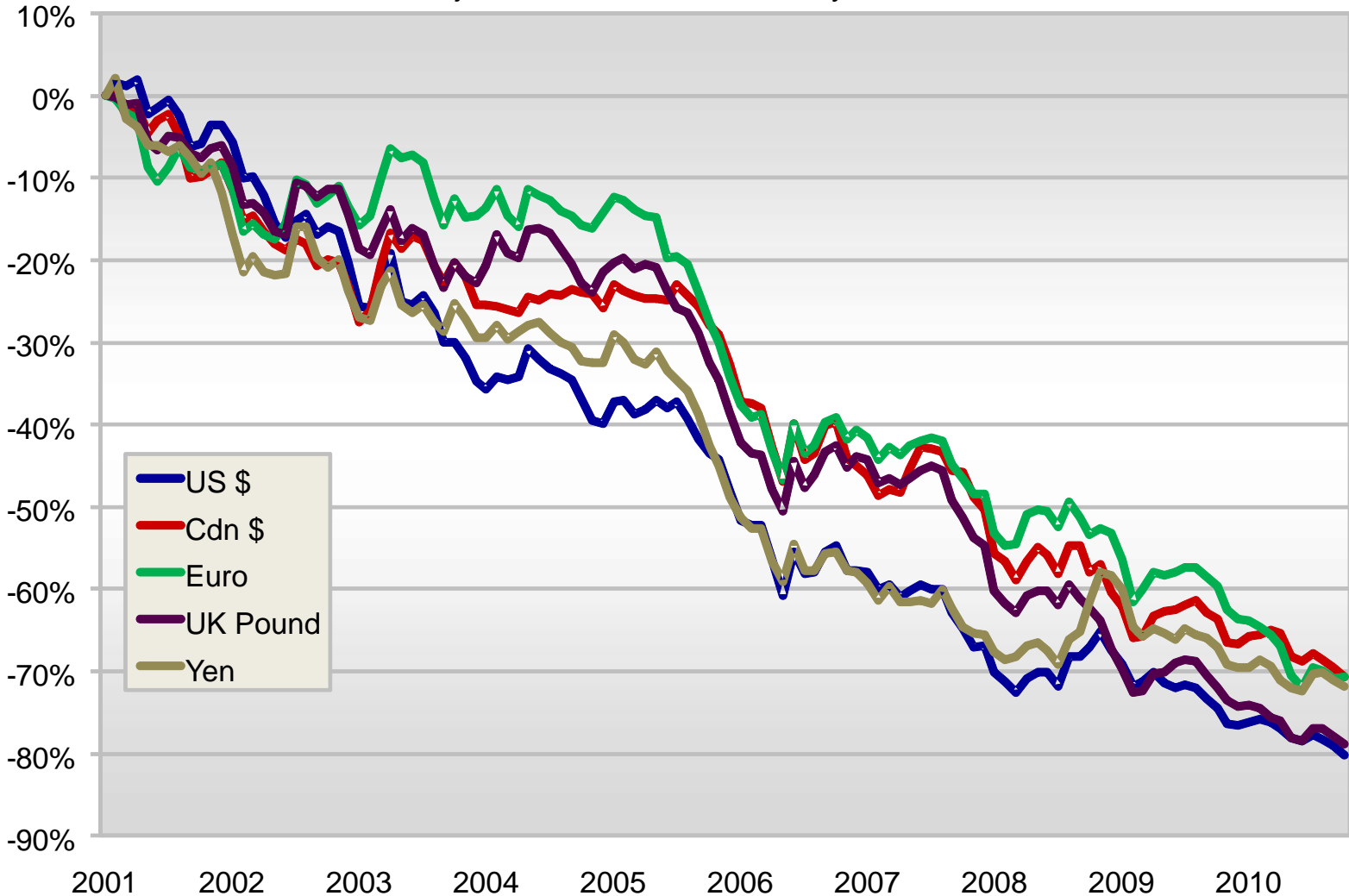
WHY GOLD? Gold is Money

- Traded on currency desks not commodity desks
- \$20 billion daily turnover at the LBMA, volume estimated at 5-7 times
- Central banks hold gold as part of their reserves

WHY GOLD? Currency Decline

Currency Decline

Major Currencies as Valued by Gold Price



Source: fx.sauder.ubc.ca ©2010 Bullion Management

* As of November 9, 2010

Major currencies have depreciated 70-80% compared to Gold

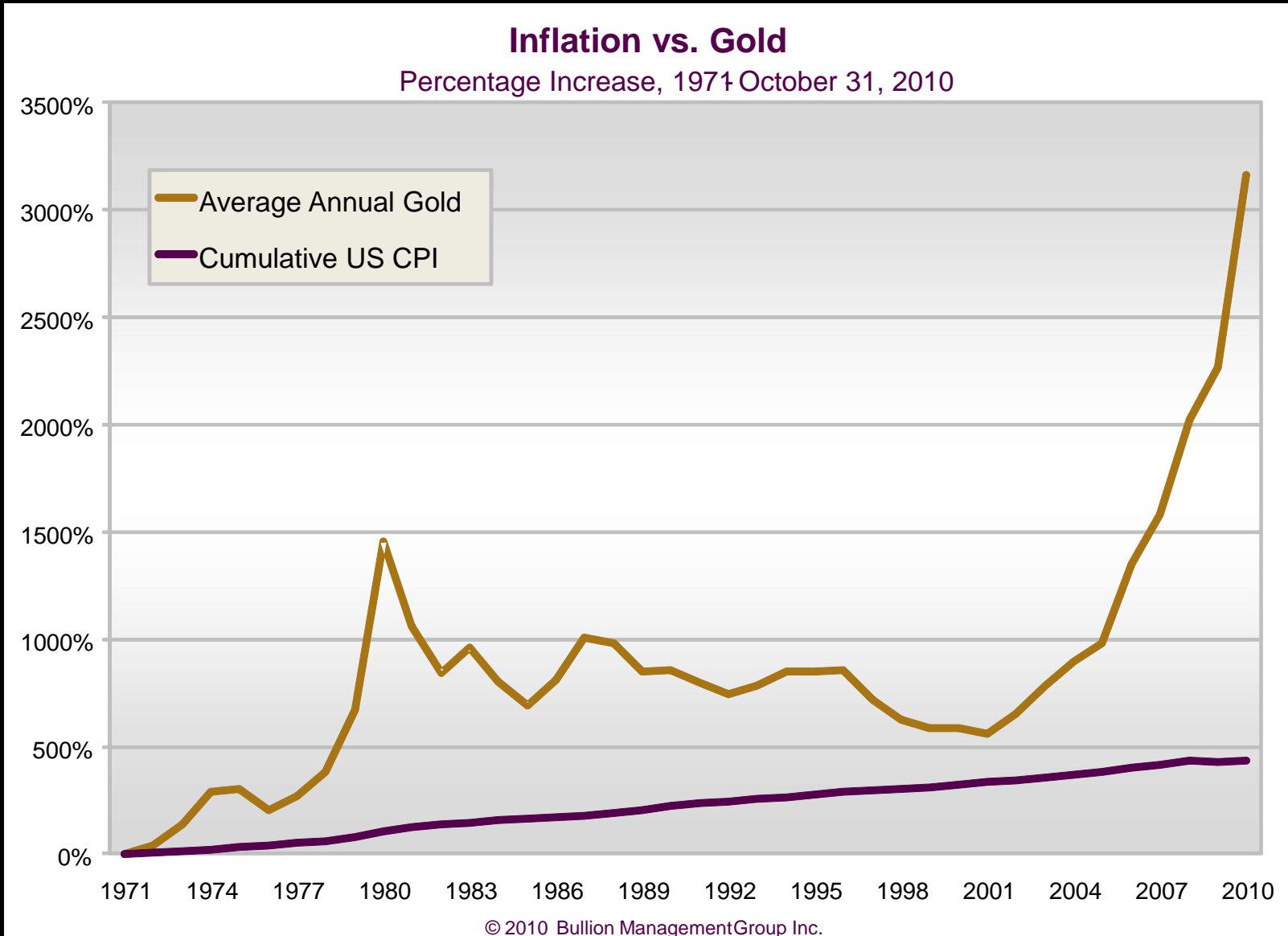
Inflation

What is Inflation?

“Inflation is an increase in the amount of currency in circulation, resulting in a relative sharp and sudden fall in its value and a rise in prices of goods and services.”

- Webster's Dictionary, 1983

Inflation vs. Gold



3163%

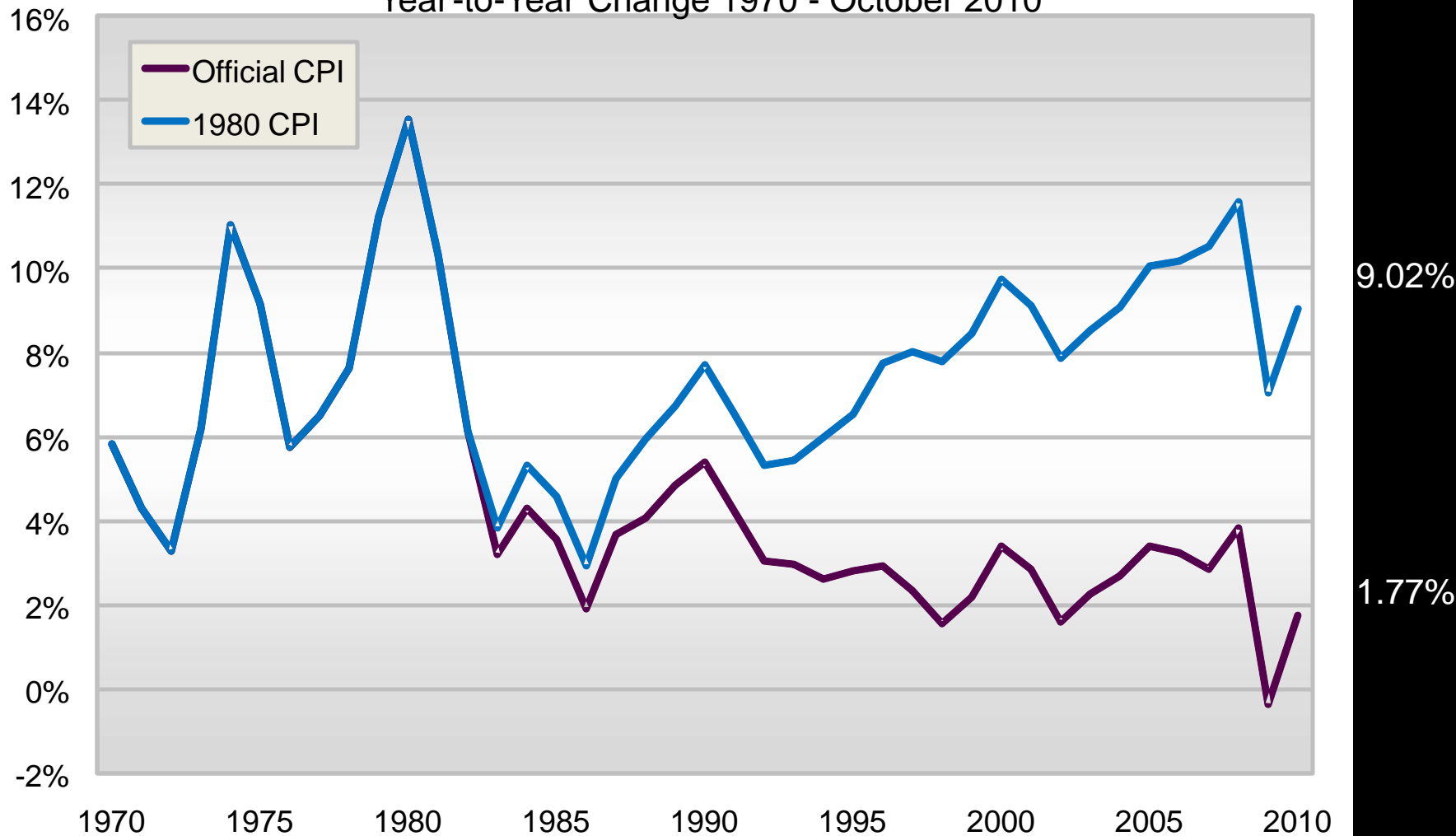
463%

Gold outperforming inflation

True Inflation

Annual Consumer Inflation: Official vs. 1980 CPI

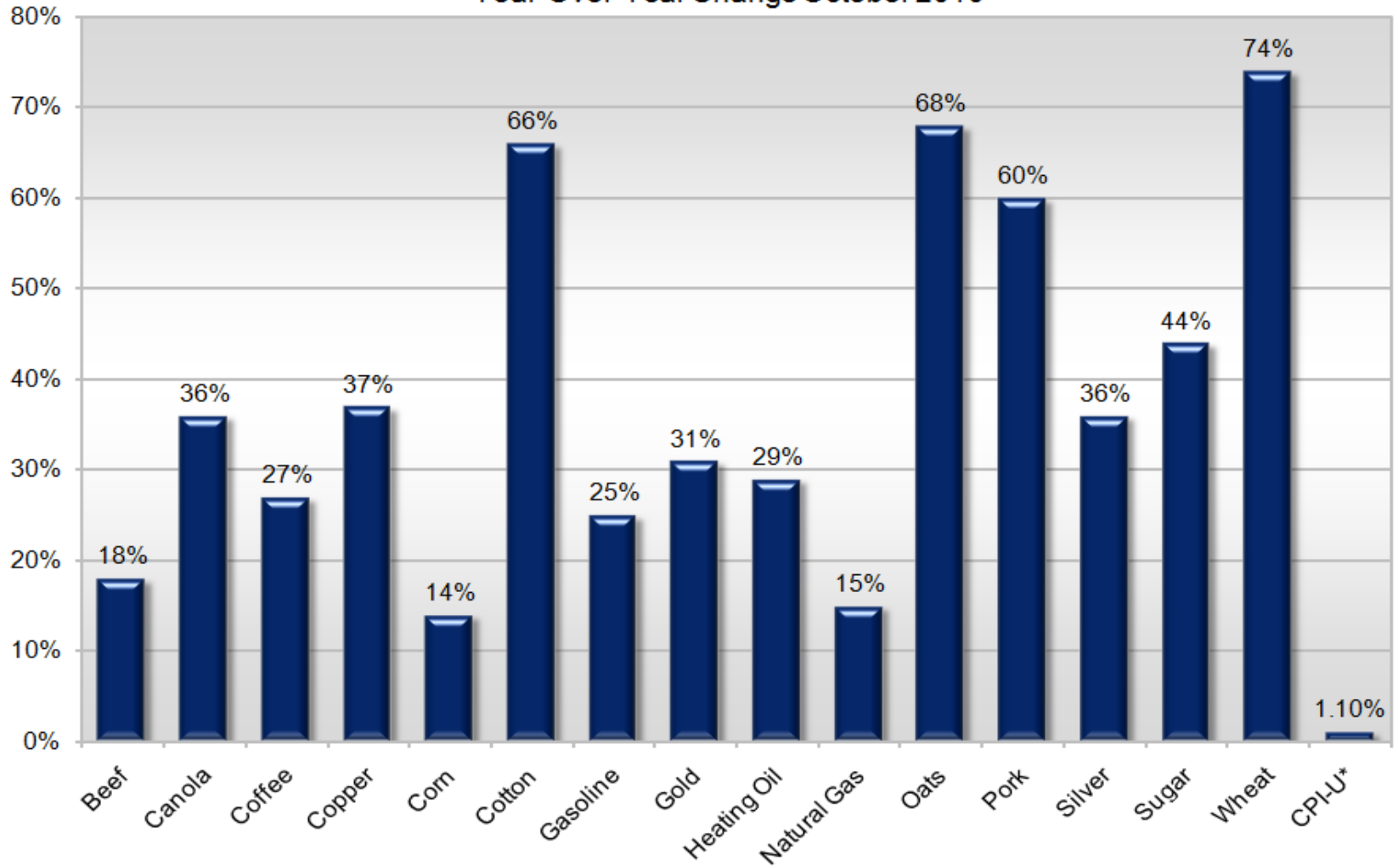
Year-to-Year Change 1970 - October 2010



Source: Shadowstats.com. © 2010 Bullion Management

The Real Cost of Living

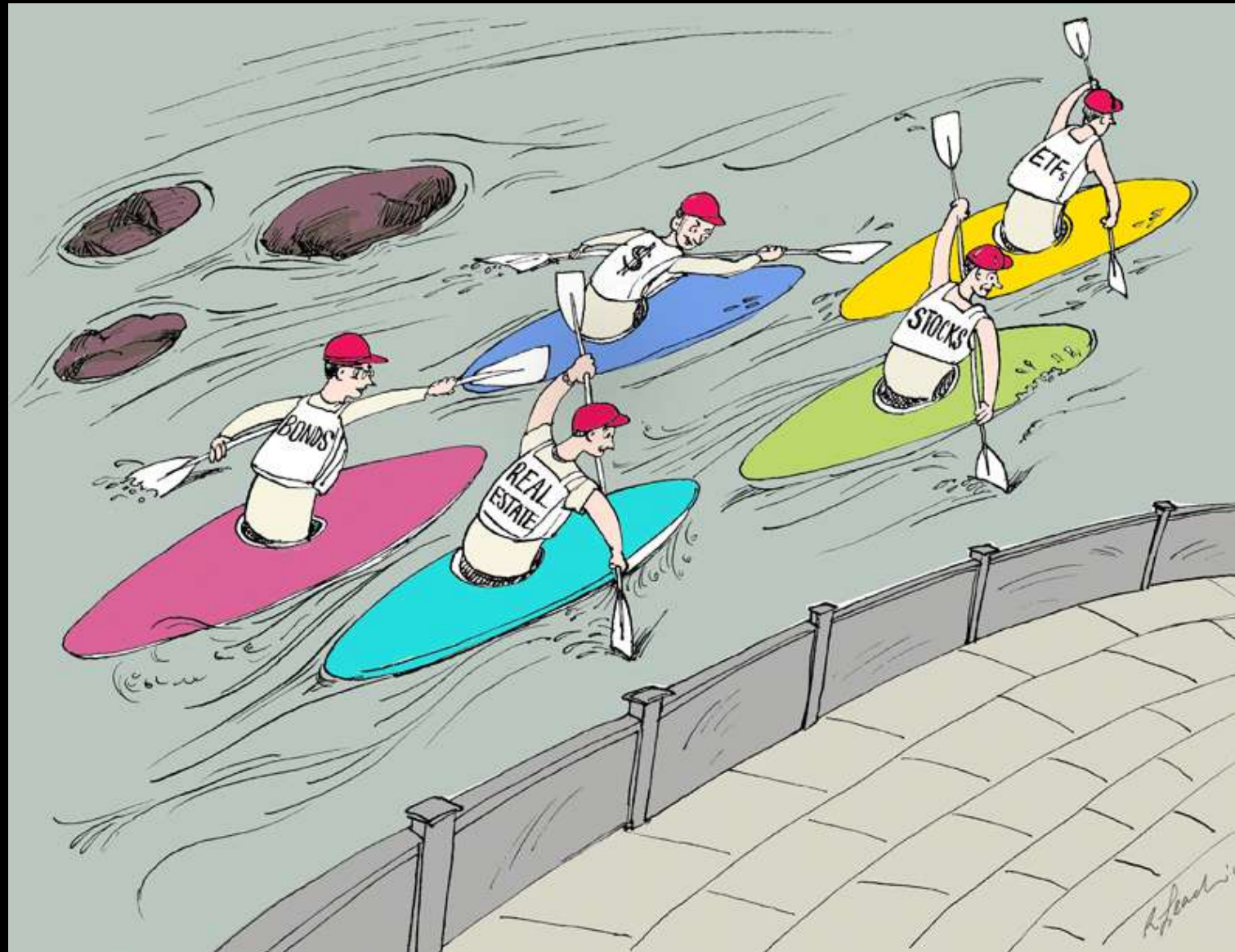
The Real Cost of Living
Year-Over-Year Change October 2010



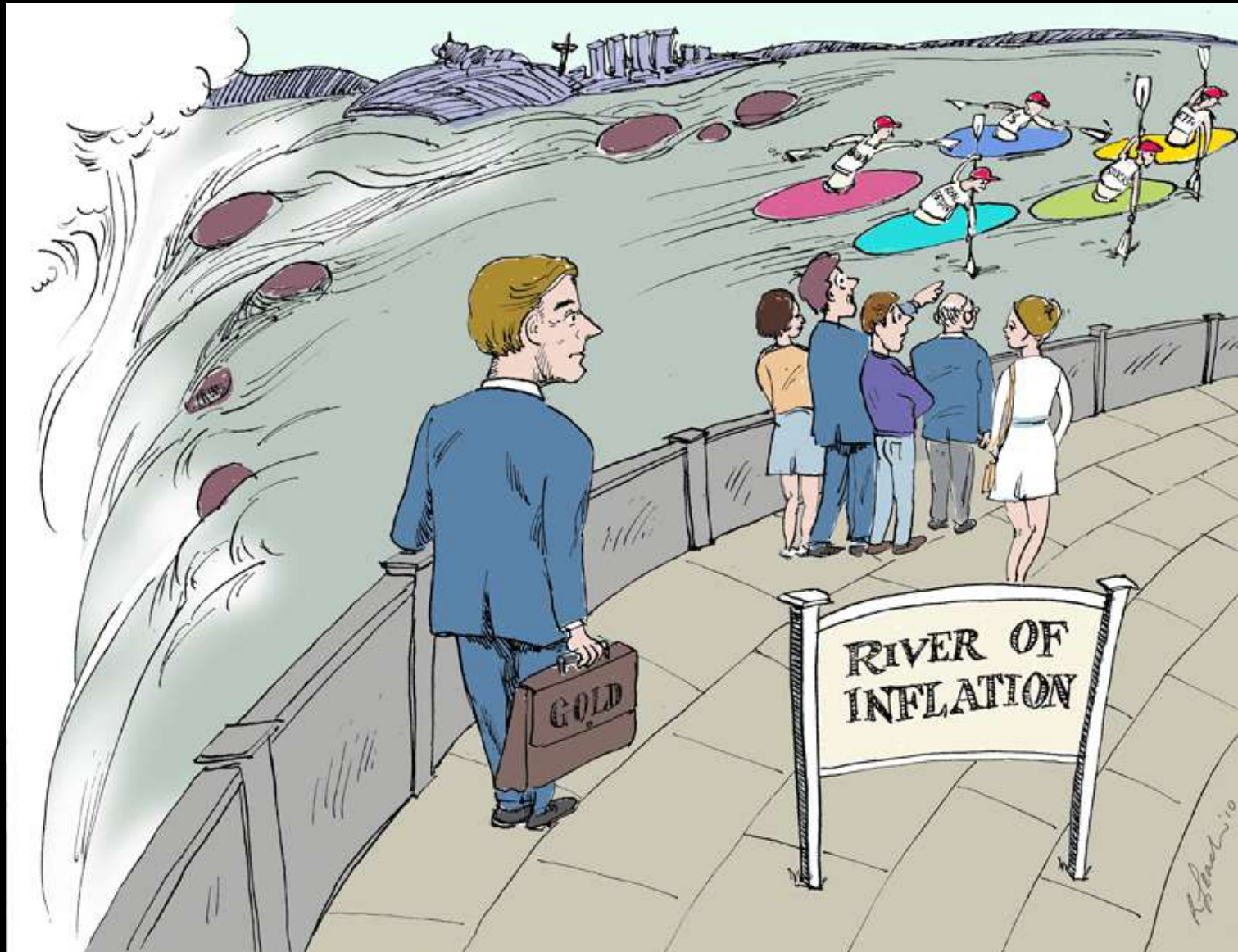
Source: Casey Research

*CPI-U Year-Over-Year Change August 2010

Fiat Currency Mindset



Gold Mindset



Think in Ounces not Currencies

Gold Purchasing Power Then and Now

Ounces of Gold needed to make purchases in 1971 and 2010¹

Price in Gold Ounces	1971	2010
Compact Car	66 oz.	10.4 oz.
Average Canadian House	703 oz.	246 oz. ²
Dow Jones	25 oz.	8.25 oz.

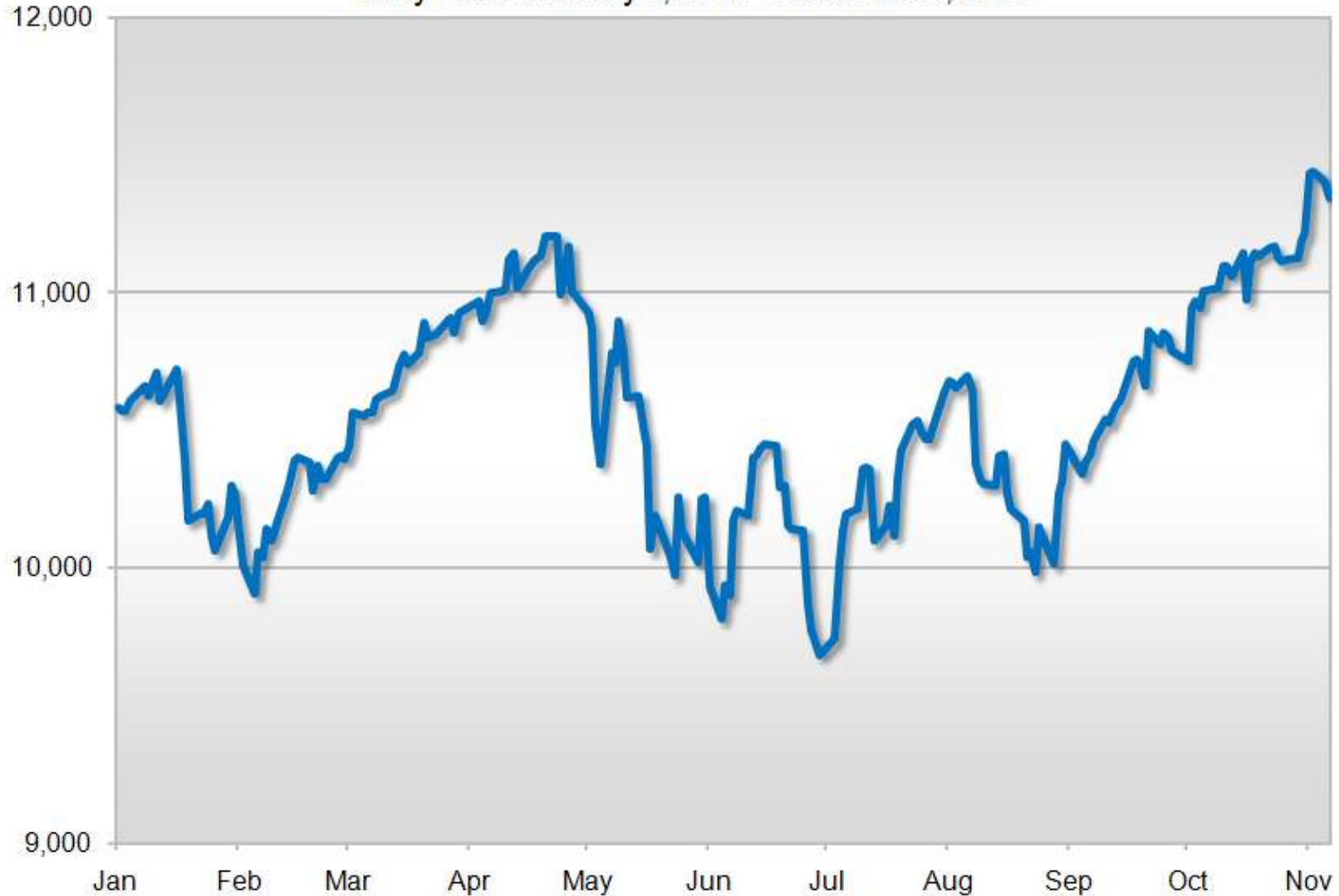
Sources: CREA, YahooFinance, Pacific Exchange © 2010 Bullion Management Group Inc.

¹ as of October 31, 2010 ² CREA National House Average September 2010

Dow Performance

Dow Performance

Daily Close January 1, 2010 - November 9, 2010



7%

Source: YahooFinance. Bullion Management Group Inc. © 2010

Dow Compared to Gold

Dow: Gold Ratio

January 1, 2010 - November 9, 2010



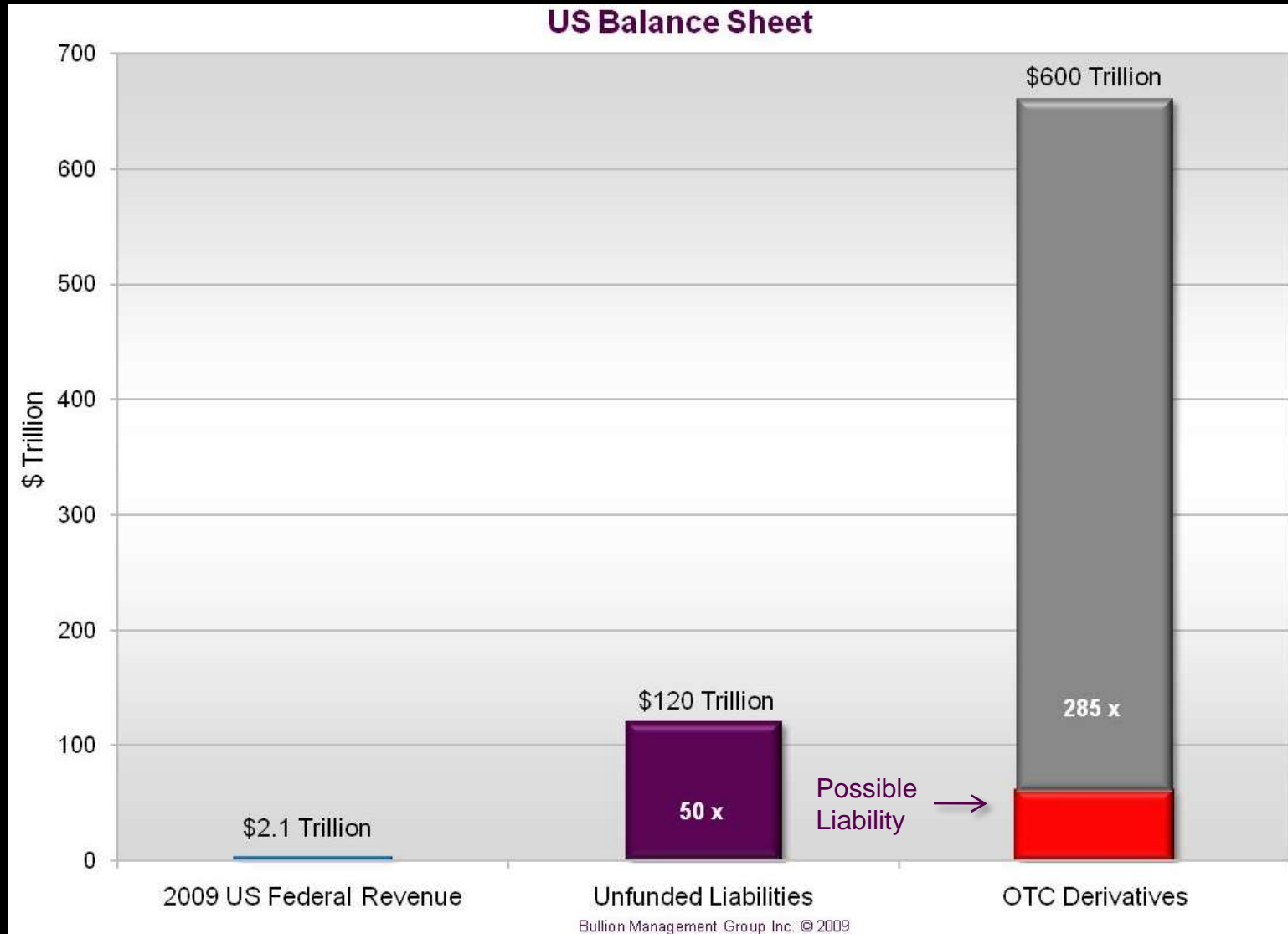
Source: YahooFinance. Bullion Management Group Inc. © 2010

GOLD TRENDS

TRENDS: Rising Demand

- Investors
- Central banks
- Institutions

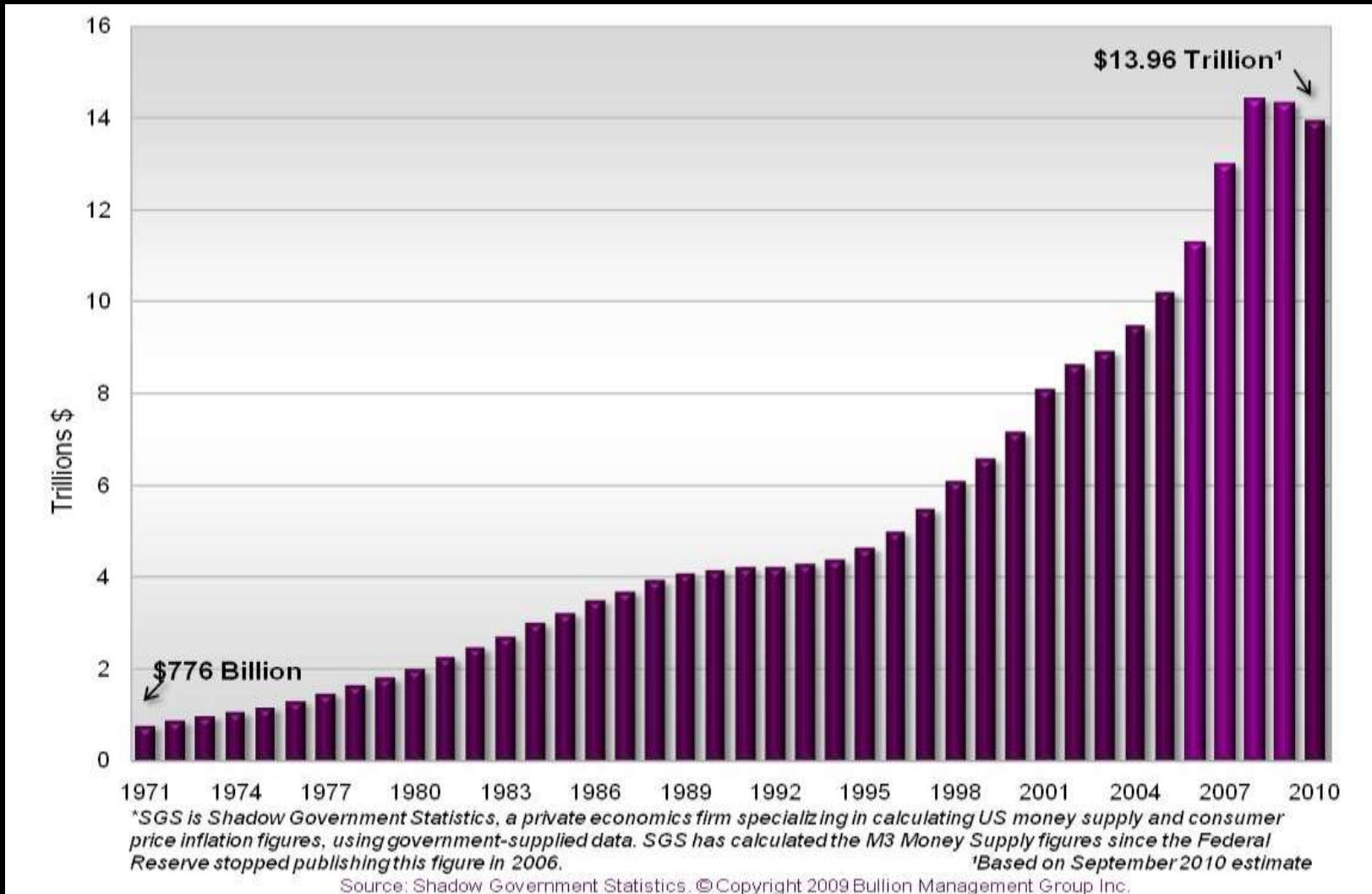
TRENDS: Unsustainable Debt



How can US support \$120 trillion of debt with \$2 trillion of income?
Plus derivatives risk?

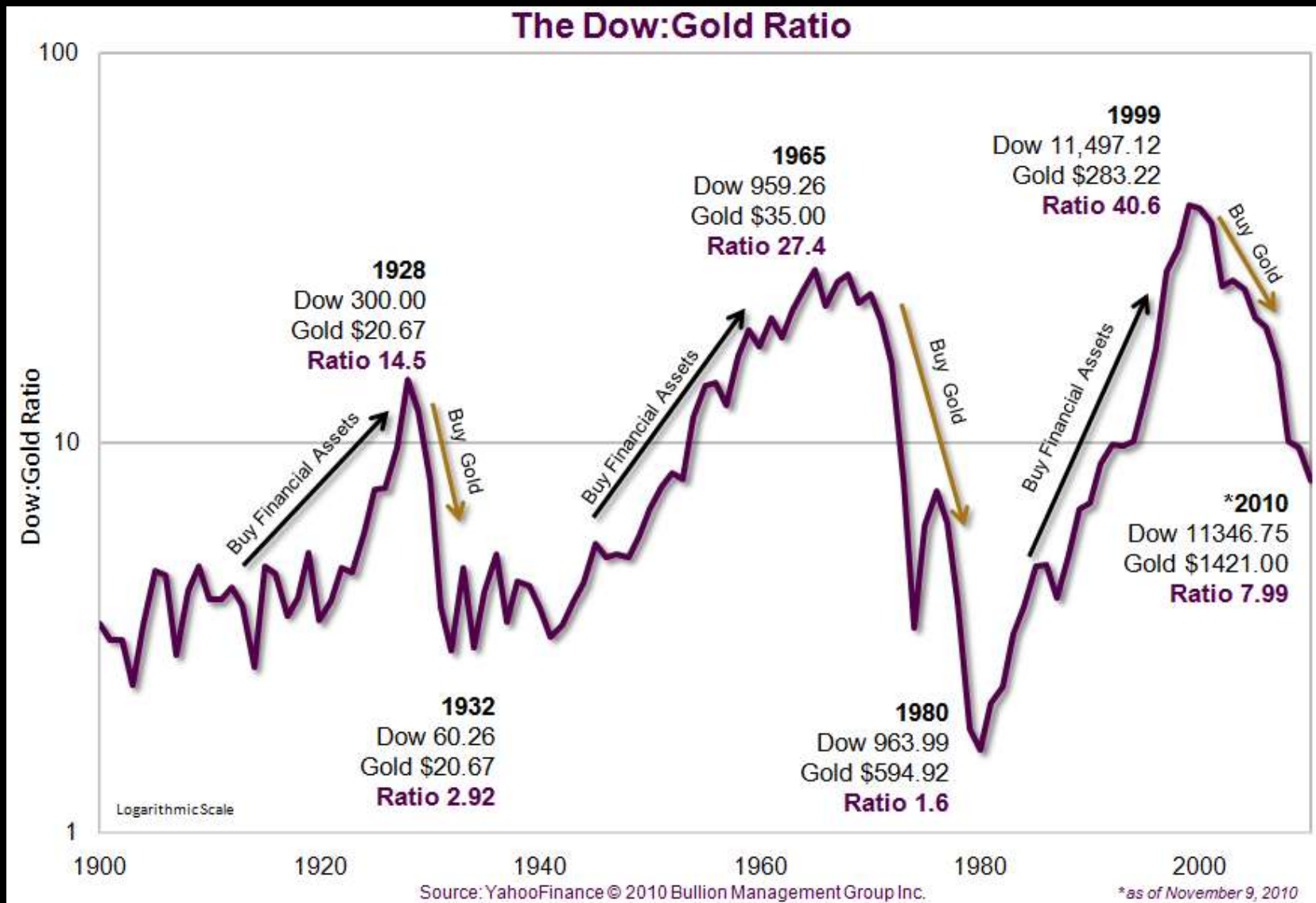
TRENDS: Exponential Increase in Money Supply

US Government-Calculated M3 1971-2006 ; SGS* M3 calculation 2006 - September 2010



Exponential growth in money supply

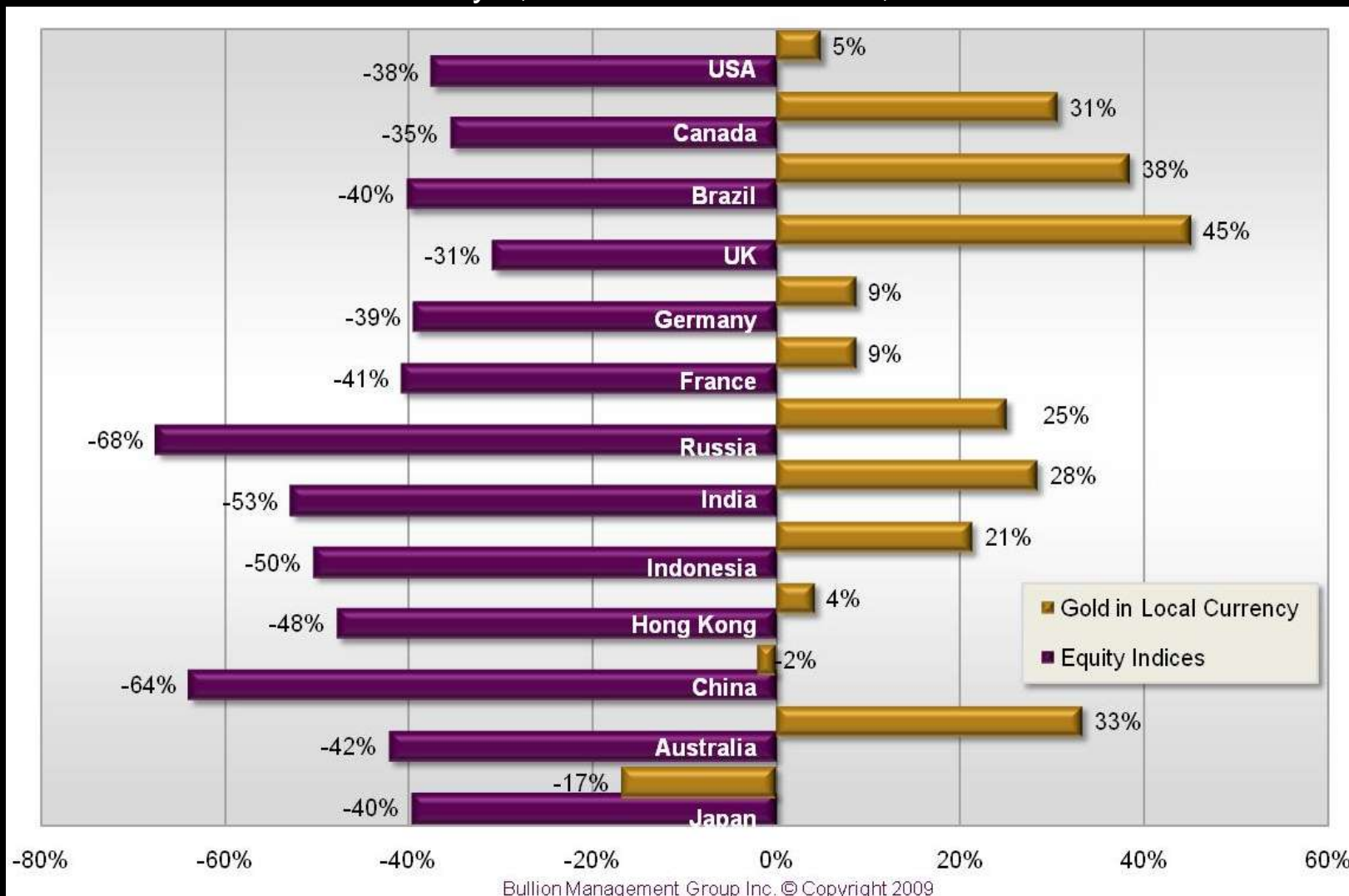
TRENDS: Declining Dow:Gold Ratio



Ratio up = buy financial assets, Ratio down = buy gold

Crisis Protection

Major Stock Market Indices vs. The Price of Gold in Local Currencies
January 1, 2008 – December 31, 2008

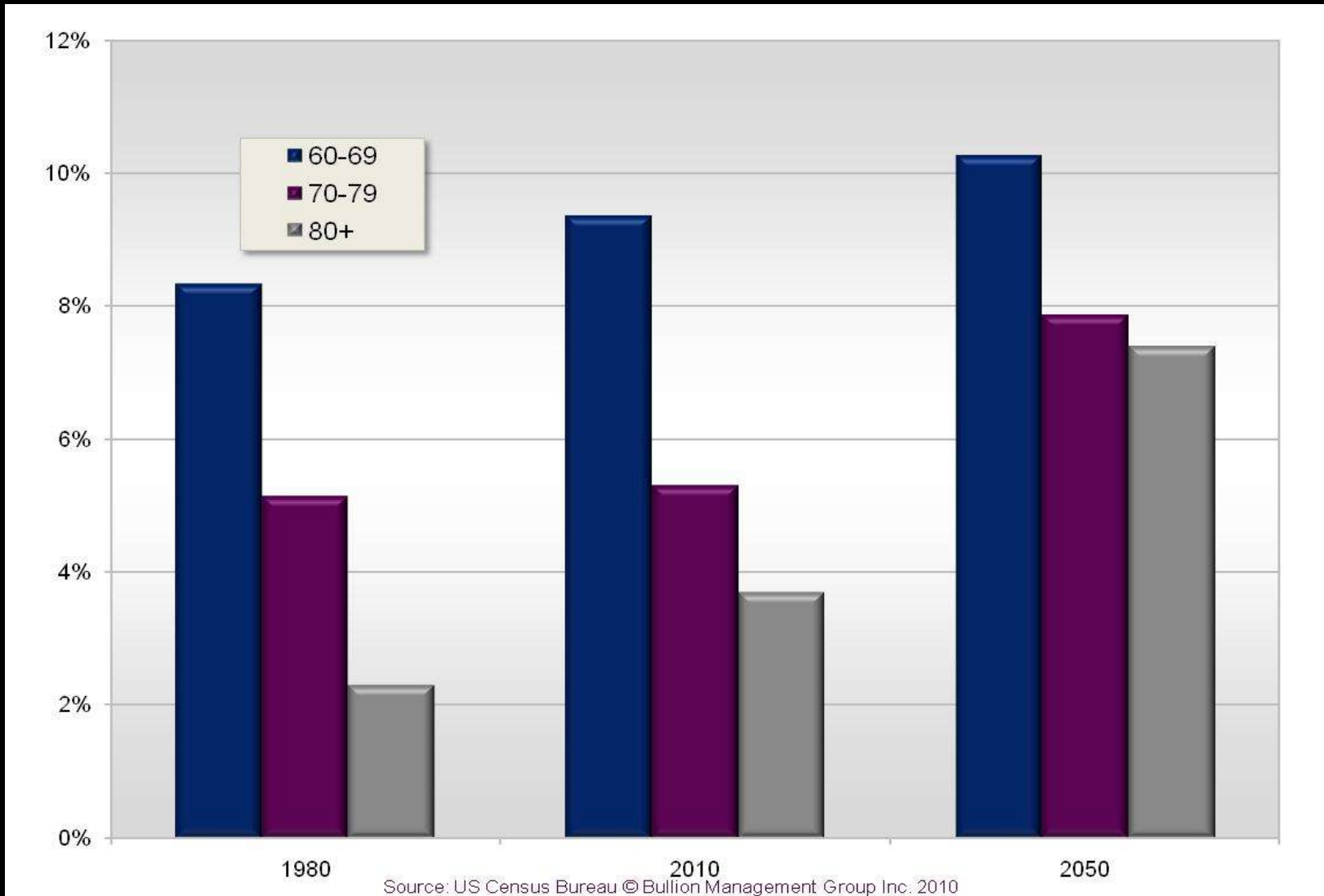


Portfolio protection during crisis

THREE IRREVERSIBLE ECONOMIC TRENDS

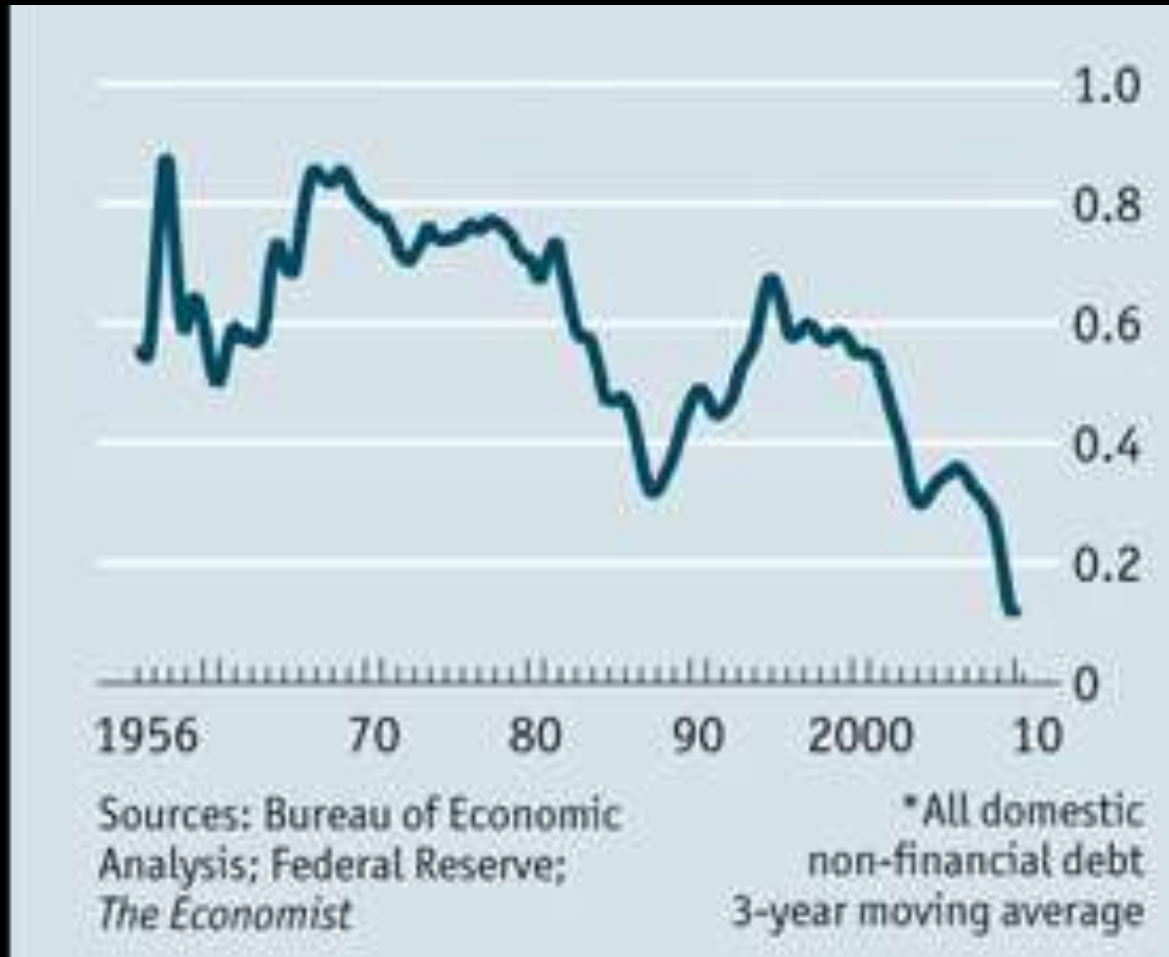
First Trend—The Aging Population

US Population, Actual and Forecast



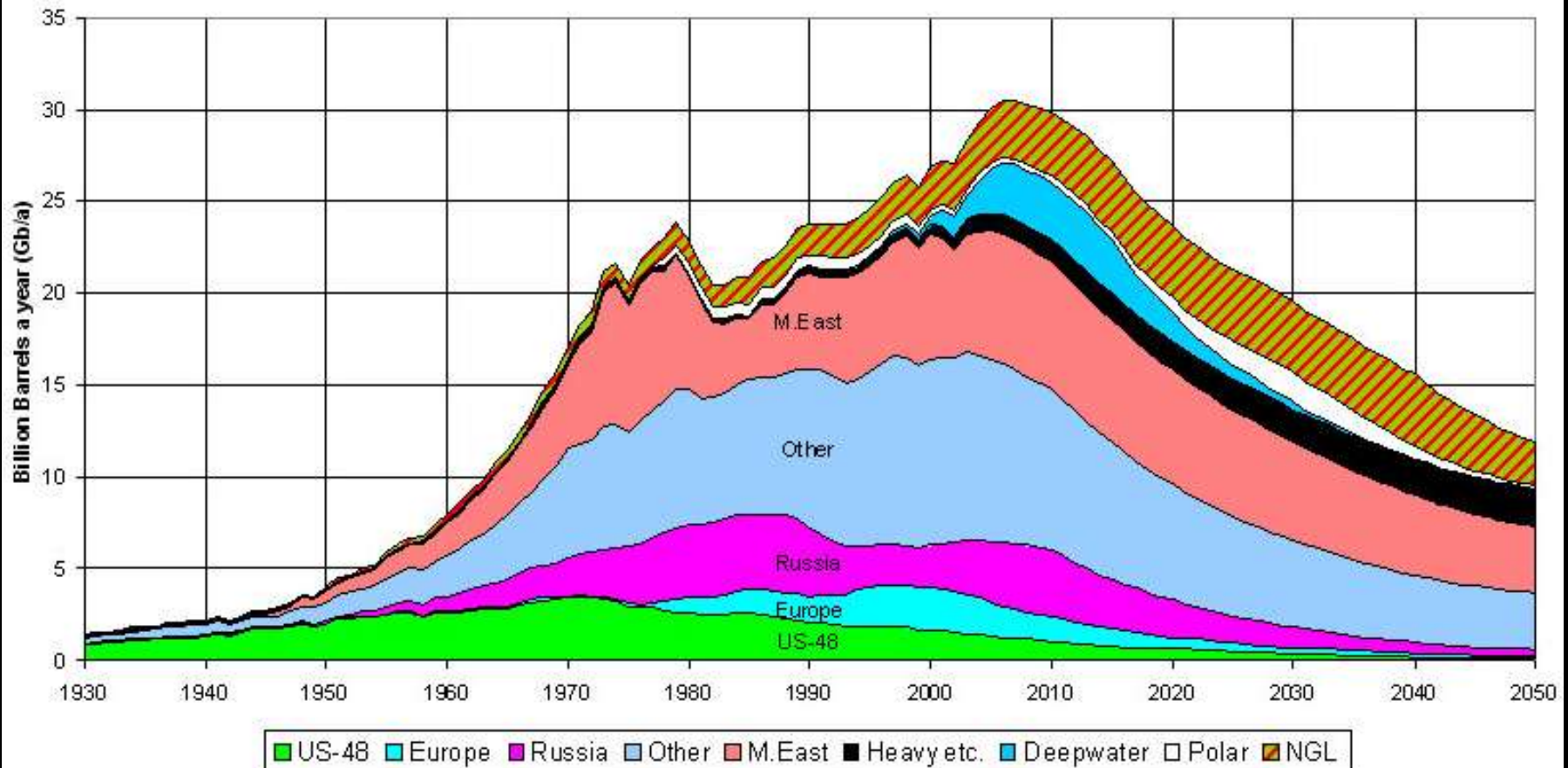
Second Trend – Outsourcing

US GDP Growth in \$ per Additional \$ of Debt*



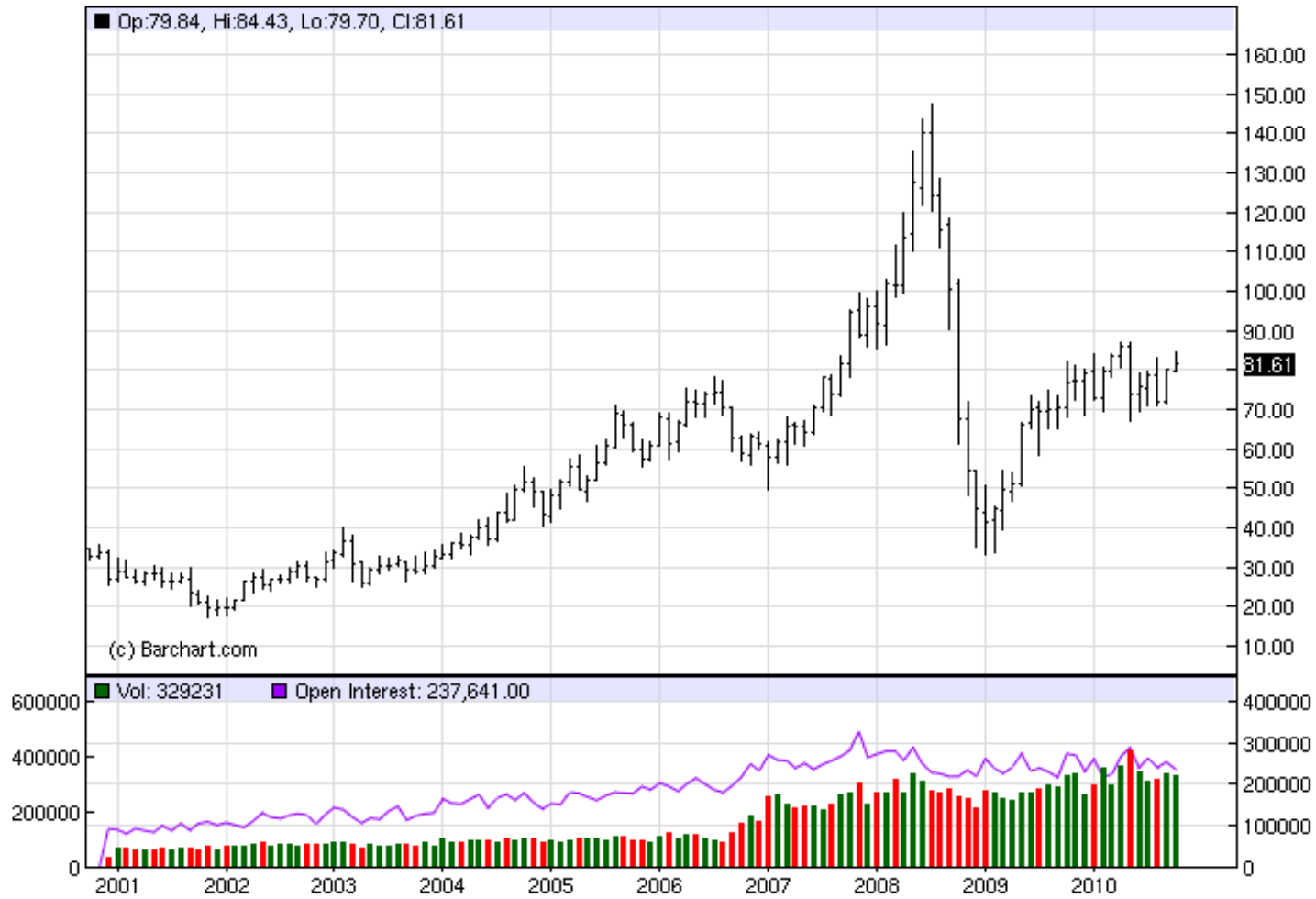
Third Trend - Peak Oil

Oil and Gas Production



Oil Prices will Remain High

CL - Crude Oil (NYMEX) - Monthly Nearest OHLC Chart



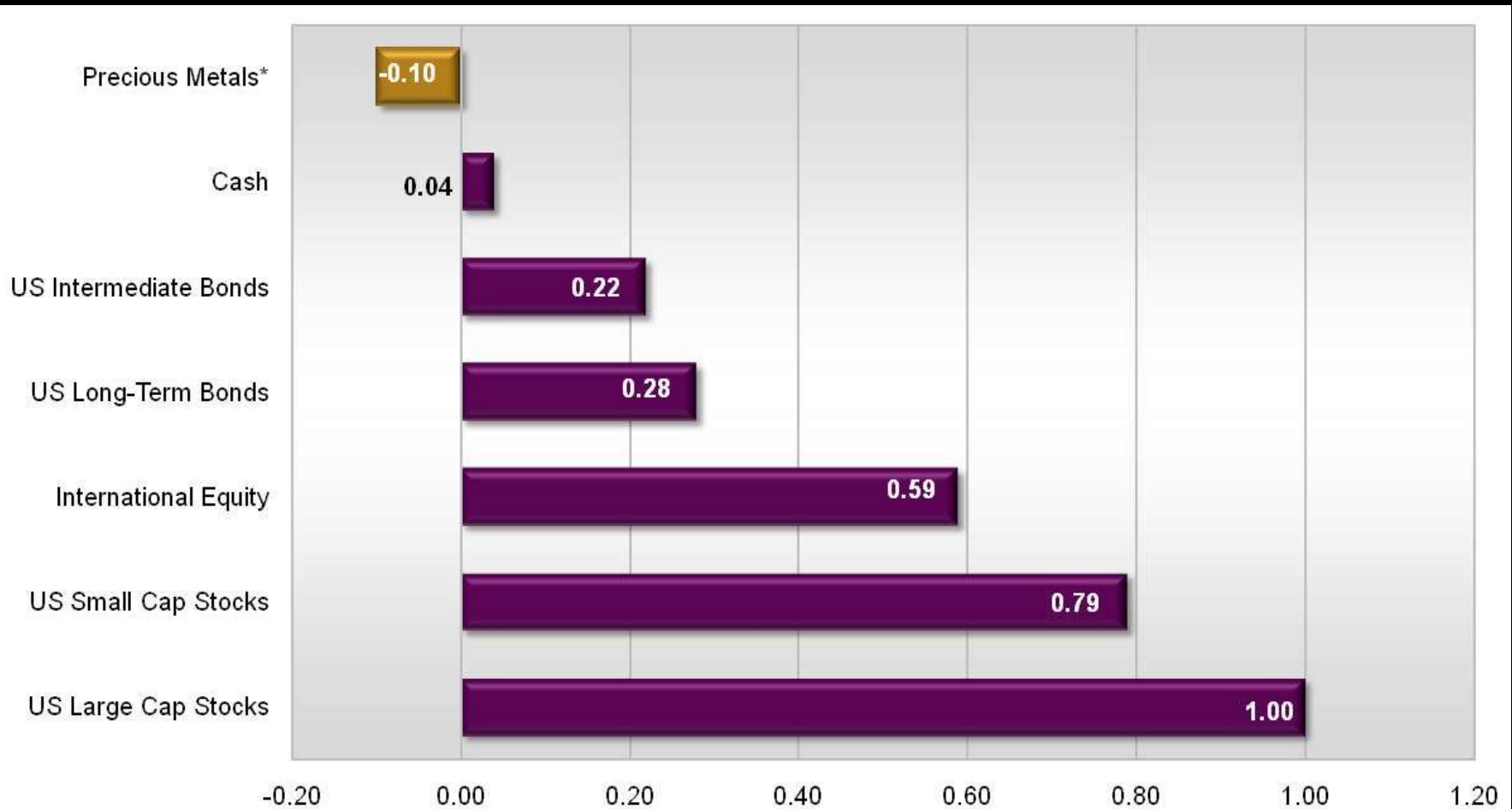
Economic Outcome of These Trends

- Lower GDP
- Lower tax revenue
- High trade deficits
- High systemic unemployment
- Increasing money supply
- Rising inflation
- Declining currency value
- **HIGHER GOLD PRICES**

PORTFOLIO ALLOCATION

Diversification: Most Negatively Correlated Asset Class

Correlation Coefficients of Annual Total Returns, 1972-2004



*Equally weighted composite index using gold, silver and platinum bullion for comparison

Source: Ibbotson Associates, *Portfolio Diversification with Gold, Silver and Platinum*, 2005

A portfolio with only correlated assets is not diversified

How Much Gold?

STRATEGIC: FOR PORTFOLIO DIVERSIFICATION

Ibbotson Study

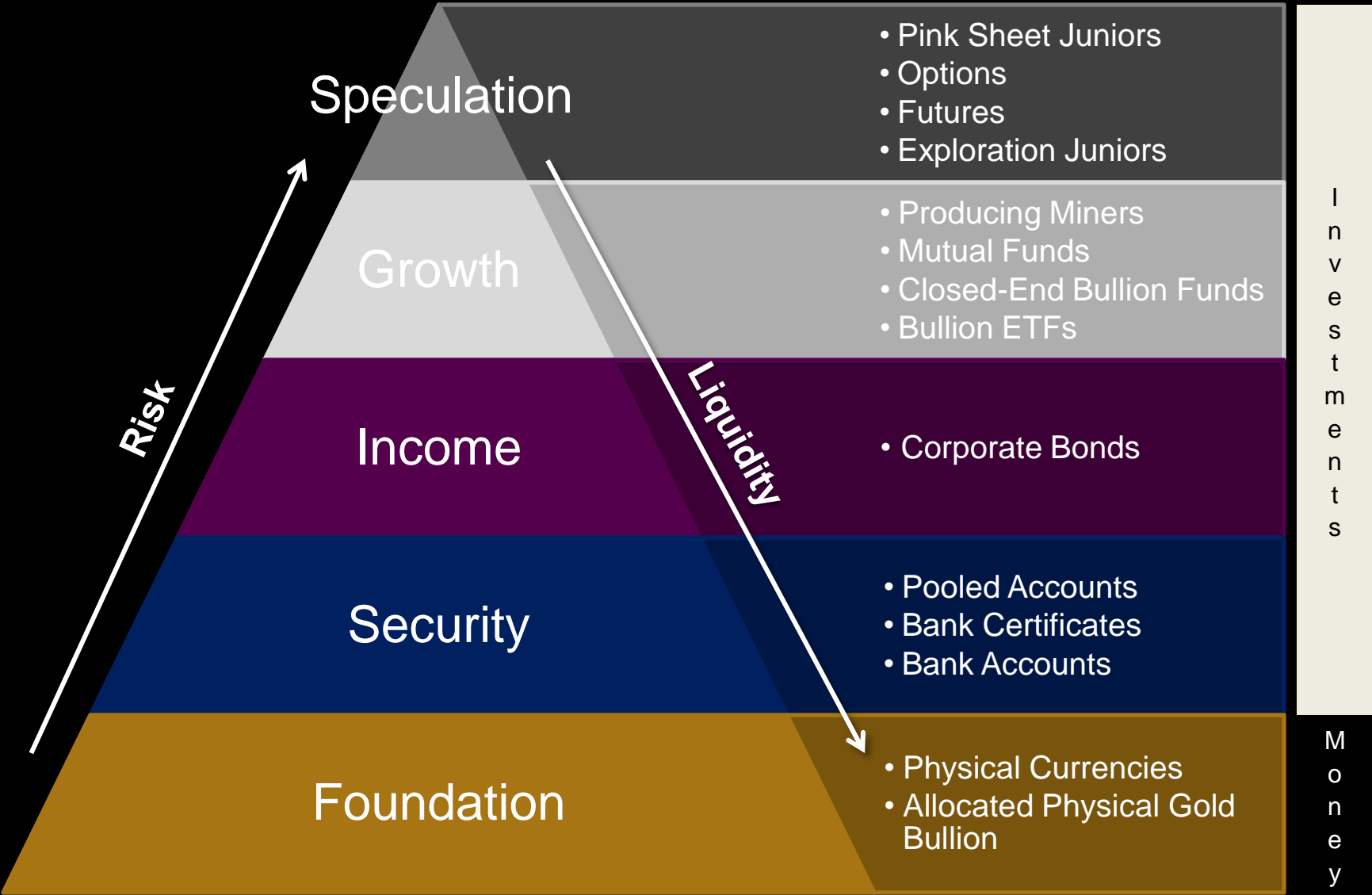
- Conservative = 7% allocation
- Aggressive = 16% allocation

TACTICAL: FOR PROTECTION FROM INFLATION

Wainwright Economics

- Bond Portfolio = 18% allocation
- Equity Portfolio = 40% allocation

Precious Metals Investment Pyramid



BMG DIFFERENCE

Three Attributes of Bullion

1. Liquidity
2. Independent of management skills
3. No counterparty risk

BMG Mutual Funds

- **BMG BullionFund**
 - Invests in equal dollar amounts of physical gold, silver and platinum bullion
- **BMG Gold BullionFund**
 - Invests exclusively in physical gold bullion
- **BMG Silver BullionFund** - *Planned for 2011 launch*
 - Invests exclusively in physical silver bullion

Why BMG Mutual Funds?

1. Liquidity

- No liquidity constraints
- Open-end mutual fund trust
- Priced daily at Net Asset Value (NAV)
- Always purchased and redeemed at NAV
- No premium or discount

Why BMG Mutual Funds?

2. Independent of Management Skills

- Fixed investment policy
- No dependency on a portfolio manager
- No style drift
- No hedging, leasing, timing, rebalancing, trading or leverage

Why BMG Mutual Funds?

3. No Counterparty Risks

- Secure from third party claims
- ScotiaMocatta acts as custodian
- RBC Dexia is third party administrator
- Assets are audited annually by KPMG
- Bullion is fully insured and allocated
- Bar list containing:
 - *serial #, refiner, purity, exact weight*
- No shorting of mutual fund units



BMG BullionBars

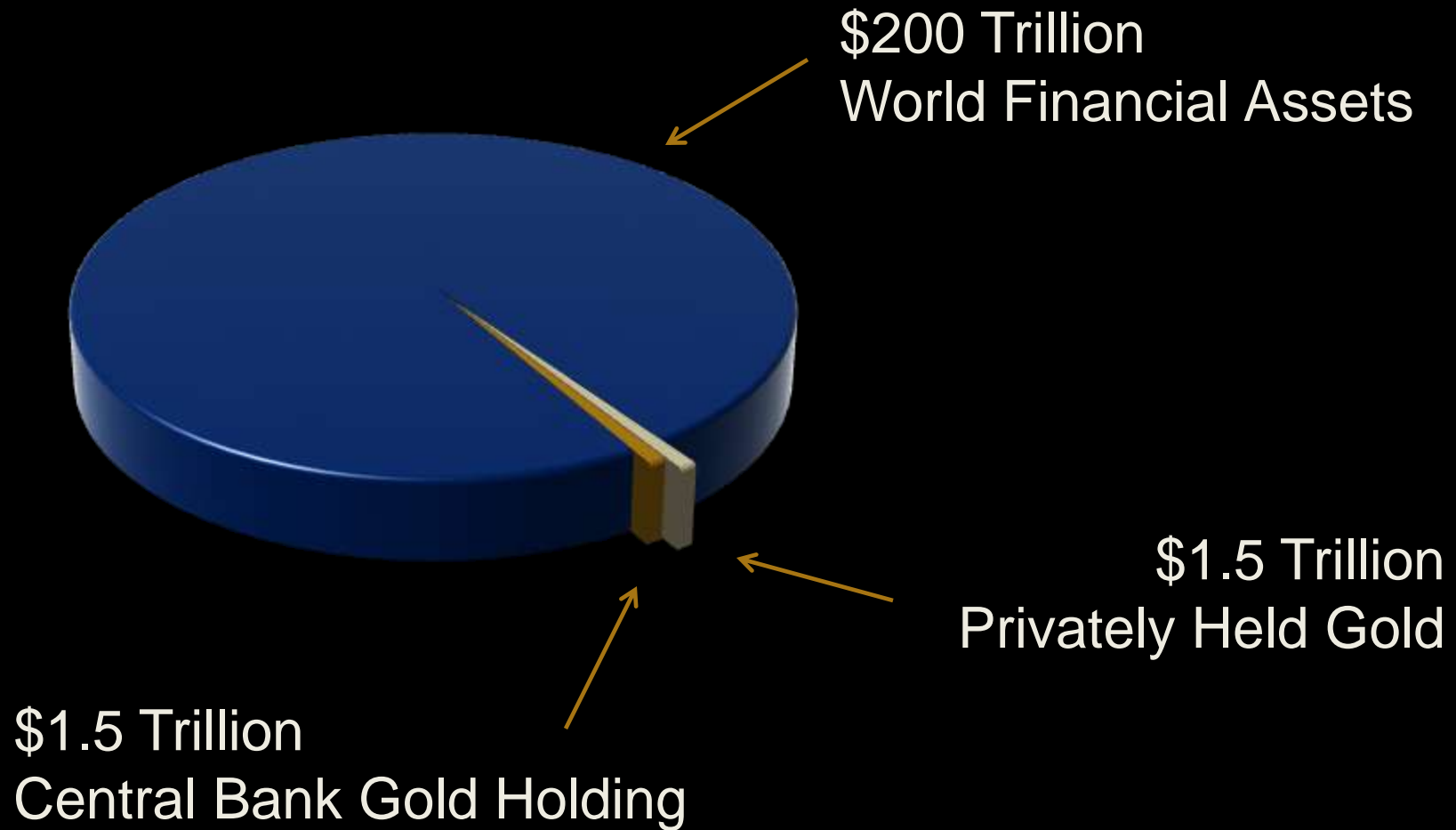


Why BMG BullionBars?

- Individual bars of gold, silver and platinum
- Bars are LBMA Good Delivery Standard bars
- Purchase/sale is secure, cost-effective and convenient
- Bullion deed title document
- Choice of storage or delivery
- Allocated and insured storage under custodial agreement with ScotiaMocatta

CONCLUSION

Future: Too Much Money Chasing Too Little Gold



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