



WEIGH HOUSE
Investor Services



Other Perspectives on Gold

November 10, 2010

The Weigh House Mission & Vision

- > Our **mission** is to empower Canadian investors through unbiased counsel, disciplined process and rational measures of progress thereby restoring the power balance in the advisor/client relationship
- > Our **vision** is to become the indispensable link between investment advisors/managers and investors seeking guidance on how to navigate the industry.

Who are we / What do we do

- > Weigh House is an investment consulting company.
 - *We reset the power balance in the advisor-client relationship by helping individual investors understand the real value and the real risk of their current positions and give them straight answers on how to best achieve their investment goals.*
 - *We avoid the conflict of interest that exists when salespeople give 'advice' on the product they sell.*
 - *We deliver unbiased advice on the investing process.*
 - *We do not sell or manage investments.*
 - *We charge fees the way accountants and lawyers do.*

Reasons to delay the purchase of gold

- > Deflation may be more likely than inflation
- > Demand may be lower as more retirees look for income
- > The easy money has already been made
- > There is a cost to carry gold bullion
- > High volatility and high risk
- > No way to work out what gold is really worth

Deflation may be more likely than inflation

- > *Gold maybe be the best investment if we have high inflation – but some experts believe deflation may be the bigger problem*
- > *American consumers are cutting back*
- > *Sovereign debt collapse is inevitable*
- > *Some believe a world wide depression will follow on the heels of a collapse of sovereign debt*
- > *When gold and bonds are both rising in value it suggests that experts are concerned about deflation*

Demand may be lower as retirees look for income

- > *Pension funds need interest and dividends to meet their obligations*
- > *Retirees are looking for income*
- > *Gold bullion produces no interest or dividends*
- > *Investors have to sell gold positions to get cash to spend*
- > *Over the longer term dividend producing stocks have been one of the best ways to get income and protect purchasing power*

The easy money has already been made

- > *Gold has already doubled twice since 2000*
- > *There is the very real risk of 'reversion to the mean'*
- > *When almost everyone agrees that something is going to go higher - it is usually too late*

There is a cost to carry gold bullion

- > *Purchase cost*
- > *Storage costs*
- > *Opportunity cost will be higher if interest rate increase*
- > *You can get inexpensive exposure to gold through ETFs*

High volatility and high risk

- > *Gold can drop by about 70% as it did from 1980 to 2000*
- > *ETF demand for bullion is new and if the ETFs begin to sell it will exacerbate the fall.*
- > *Unlike other commodities the price of gold is largely determined by speculators*
- > *Hedge funds will 'unpark' their money in gold if they start to have a positive outlook for the markets.*

No way to work out what it is really worth

- > *Can't do fundamental or discounted cash flow analysis*
- > *Can't do a price earnings ratio*
- > *Technical analysis suggests gold is overbought*

Hyperinflation is less likely this time

- > *World is different than the last time gold soared in value as a result of hyperinflation*
- > *More retirees and greater threat of Sovereign debt collapse.*
- > *There is now a well developed bond market which looks for higher yields as the threat of inflation emerges – this acts as a break to inflation and will reduce the probability of hyperinflation*
- > *Well developed commodity markets provide an alternative to gold*
- > *Demographic changes mean lower consumer demand and greater need for income in form of interest or dividends*



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Thank You!

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