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**GOLD**

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INVESTOR'S GUIDE

## WELCOME TO CASEY RESEARCH!

We're glad to send you our new Gold Investor's Guide.

If you follow this advice, you'll be in a position to make spectacular gains in gold and gold stocks in the months and years ahead.

Now, we don't recommend investing in gold because we're gold bugs. We do it because gold is the safest way to protect yourself from failing currencies and out-of-control governments... and because it's the best way to profit from fundamental factors working in your favor.

## IS GOLD A GOOD INVESTMENT?

Have you ever stopped to ask yourself, "If the U.S. and other economies are as strong as governments claim they are, why are interest rates still effectively zero—or even negative?" This is not a sign of a healthy fiscal and monetary system.

It's hard to fathom how anyone can believe the global economy will escape the dire fiscal and monetary conditions around the world without some serious fallout—and a strong response from gold. Never before has such an enormous monetary experiment taken place on a global scale. If ever there was a need for monetary insurance, it is now.

Mainstream money types have declared that gold is dead and sold all they could. And yet, global finances remain tenuous at best. That makes it imperative for investors to own physical gold and have exposure to gold's upside in their portfolios.

## THE #1 REASON TO BUY GOLD TODAY

Excessive debt is the root cause of the ongoing crisis that became visible to all in 2008. And yet the world continues to pile it on.

In spite of massive debt loads shouldered by most G20 countries, the deficit spending continues.

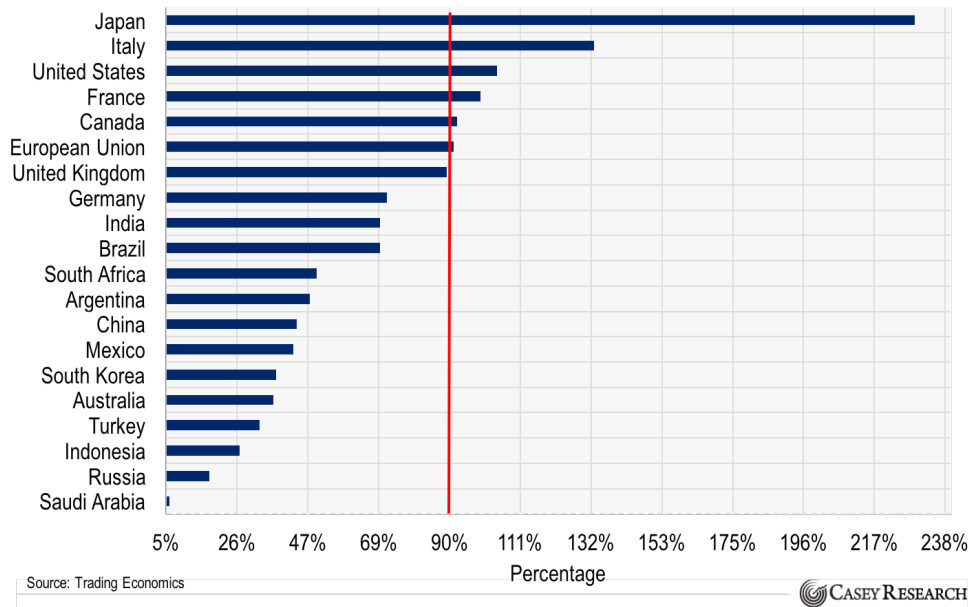
Think about that for a moment: Almost no country in the entire world even tries to balance its budget anymore. Everyone seems convinced that spending is the key to prosperity. This can't be resolved without some pain.

Some argue that deficits are necessary to counter periods of slow or negative economic growth.

We disagree, but even so, it's the recent trajectory of debt growth that's scary—and unsustainable.

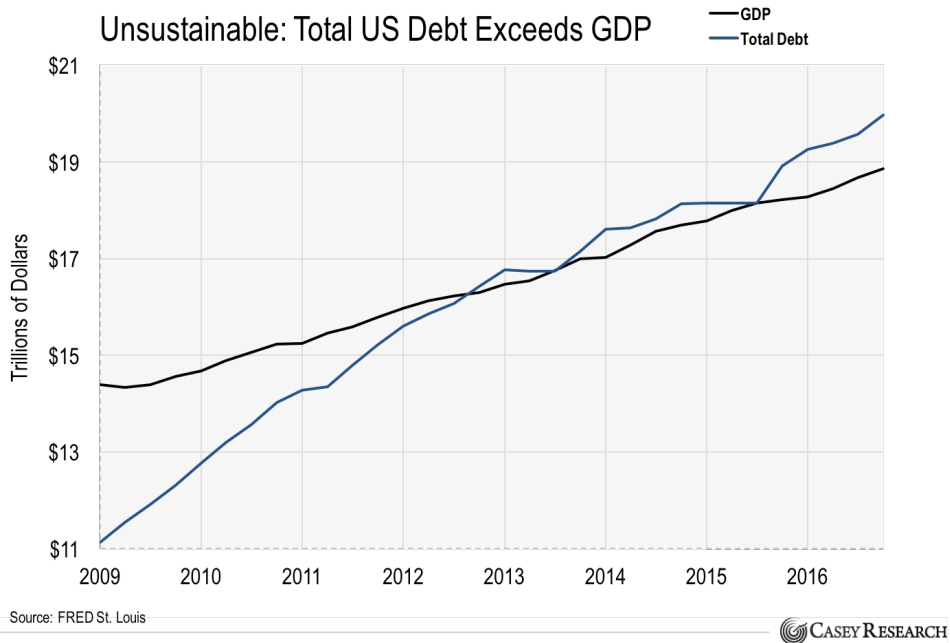
Here's a look at the government debt-to-GDP ratio of the G20 countries.

Government Debt-to-GDP Among G20 Nations



History shows that debt levels over 90% of GDP result in higher inflation. When the ratio was 90% or higher, inflation rose to around 6%, as opposed to the 0.5-2.5% range that's typically below 90%. History also shows that the link is not simultaneous, yet higher inflation always follows.

Here's a closer picture of the trajectory of U.S. debt in relation to its GDP:





Total U.S. government debt recently crossed the proverbial line in the sand and now equals 104% of GDP. This is higher than crisis-stricken countries like Brazil and Spain.

Further, the Fed's official figures exclude the nation's swelling yet politically untouchable unfunded liabilities, Medicare and Social Security. Add these in, and public debt is more than sky high.

The sad truth is that U.S. debt is so high, it will never be paid. At least not in dollars with today's purchasing power.

Instead, the Fed and other central banks around the world are devaluing currencies, supposedly to prop up their economies but also in order to reduce the burden of debt repayment. This is a central thesis to investing in gold: There is no way out of this level of debt overhang except currency dilution.

**The #1 catalyst for precious metals for the foreseeable future is currency debasement.** It's staring us right in the face, begging us to protect our assets and hedge our future standard of living by saving in gold and silver.

## WHEN WILL GOLD RESUME ITS UPTREND?

Timing any market is difficult. Doing so reliably is all but impossible. But we know there are clear and unavoidable consequences to wildly energetic money creation. Sooner or later, there will be rampant price inflation.

The U.S. dollar is far from healthy, due to massive U.S. government debt and enduring weakness in the economy. The perceived value of the dollar has been high over the last two years; any American tourist who's been to Europe recently will vouch for that. But just because the euro is in worse share does not mean the dollar is actually strong.

Just ask yourself:

What if banks begin deploying the excess reserves the Fed has been paying them to keep?

What if the Fed decides we need another round of QE, or whatever they call it next?

What if the Fed continues raising interest rates?

What happens when—not if—the New York Stock Exchange enters a true bear market and mainstream investors start losing money? This may have started already this year... and many investors who remember 2008 will decide to bail.

What will be the mainstream reaction if the real estate market goes flat or reverses?  
How will the Fed respond?

What happens if the economy does grow—and kick-starts inflation?

What happens if the debt load overwhelms the Fed's printing efforts? Will they give up or double down?

What if a developed country defaults on its debt?

What if we reach a tipping point where other countries tire of dollar dilution and slow or reverse their U.S. Treasury purchases?

What happens if the markets lose confidence in the Fed or other central banks' ability to manage economies and markets?

How will global central bankers respond if real deflation takes root?

What happens if geopolitical conflicts deteriorate and lead to war?

What happens when—not if—control of the gold market shifts to China, away the U.S. paper gold market?

**The key point is that the world is awash in serious systemic risk.**

Central bankers have printed themselves into corners, and there is no easy way out. These issues have not been dealt with effectively, and political leaders show no sign of ever doing so. Systemic risk has reached truly historic proportions. Sooner or later, there must be a reckoning—the math doesn't work, and history has demonstrated the outcome of such fiscal crises again and again.

This is a major reason why I continue to buy gold and silver, and why I recommend you do, too. It's not a speculation on rapid gains but on essential wealth insurance. In fact, I believe that the need to own gold is greater now than it was in 2008.

Here are the three best ways to invest in gold....

**BEST WAY TO OWN GOLD #1: PHYSICAL GOLD**

Given the non-zero risk of a catastrophic failure of the global banking system, and all the chaos that would follow, we recommend that all investors place 10%-20% of their portfolio in gold bullion.

We don't mean 10%-20% of your gold portfolio; **we mean 10%-20% of all your liquid assets.** This may sound extreme to some. But even if the global economy remains in a deflationary dip and the gold price struggles for a while, bullion remains the safest of safe harbors during a true upheaval.

Remember, it's not simply a question of inflation or deflation; it's crisis. And that's exactly what gold ownership is for.

Nothing replaces having physical gold in your possession and under your control.

## WHERE TO BUY PHYSICAL GOLD

If you know an honest, reputable coin dealer in your area, that's a good place to start for smaller purchases. Our editors buy their gold either with a local dealer or online, but either way, it's important to find a reputable dealer... as in every line of business, there's no shortage of crooks.

In our experience, the best places to buy physical gold are:

**1. MilesFranklin.com (1-800-822-8080).** Miles Franklin has some of the deepest contacts in the industry. It can source metal when many other dealers can't. With some of the best prices, it's one of our top picks.

**2. FisherPreciousMetals.com (1-800-390-8576).** A national bullion dealer that offers highly competitive pricing and a full Authentication Guarantee to protect against counterfeit products. They are also ISA certified precious metals appraisers.

**3. DavidHall.com (1-800-759-7575).** We go to one place for rare coins: Van Simmons at David Hall Rare Coins. He actually helped create the Professional Coin Grading Service. We don't recommend entering the numismatic world unless you are (or plan to become) a knowledgeable investor.

**4. Money Metals Exchange (1-800-800-1865).** Reasonable prices on common gold and silver coins like American Eagles and Canadian Maple Leafs.

Keep in mind that premiums and delivery times will fluctuate according to market conditions.

There are other online dealers out there, and some may have good prices, too. The things to watch for are total costs (including product, shipping, and insurance) and availability; if a dealer claims it will be several weeks to "locate" the product, we advise you to look elsewhere. It's also not uncommon to find salespeople who try to talk you into other products, such as proof sets or rare coins (this is especially true with the dealers that advertise on TV), so beware of the hard sell. We haven't had that experience with our recommended dealers.

Where do you store your gold? There isn't a magic bullet for safekeeping, as each form has its own risks. Physical gold is subject to theft and fire; paper gold is subject to fraud and mismanagement.

The most prudent approach is to own more than one form of gold, in more than one location, with an emphasis on physical ownership.

You can get started owning physical gold with as little as \$50 a month, thanks to a new savings program that can automatically withdraw the money from your bank account.

So, instead of shelling out \$1,200 or more for an ounce of gold, you can start buying that ounce and more in monthly installments. These programs store your gold and silver as well, and you can take delivery any time.

We've vetted these programs and have found that MetalStream and SilverSaver are the most convenient for automatically accumulating metal. Both will deduct funds from your bank account and buy gold or silver for you automatically. The former requires a \$250 per month minimum but offers international storage in Singapore, while the latter will accept 0.05% per month but only offers domestic storage.

BullionVault and GoldMoney are also good programs, though they don't emphasize delivery. If you think you might want to take possession someday and want a no-hassle way to automatically buy metal, MetalStream and SilverSaver are your best bets.

## **BEST WAY TO OWN GOLD #2: PAPER GOLD**

There's no substitute for having physical gold under your immediate control, but paper proxies can be useful investment vehicles. In recent years, the market has responded to burgeoning demand for convenient ways to trade commodities by creating a galaxy of exchange-traded funds (ETFs).

These are designed to mirror the ups and downs of the underlying commodity and can be bought and sold like stocks. They do not provide delivery of metal to the average investor.

1. The largest and most popular gold ETF, SPDR Gold Shares (GLD), buys and holds gold bullion in a secure London vault, with each share trading at approximately one-tenth the price of an ounce of gold on the market. GLD has done a very good job of following gold's lead, posting gains that have been only slightly below that of the metal itself (due to costs). GLD represents a simple, effective way of extracting some paper profits from gold's bull run. The Physical Swiss Gold Shares (SGOL) ETF is interesting as well, since the gold is stored in Switzerland and the custodial structure is less complicated. Sprott also offers several ETFs backed by physical gold (PHYS) and silver (PSLV) that we see as solid products.

2. Want a fund with both gold and silver? Central Fund of Canada (CEF) is a closed-end fund that's made up of roughly 55% gold and 42% silver. The major difference between it and an ETF is that ETFs are structured to keep the share price very close to net asset value (NAV). Not so with a closed-end fund, which responds much more strongly to market sentiment about the fund itself. This means that shares in a gold-based, closed-end fund can trade at a steep discount to NAV—or at a premium. Over time, while CEF rises and falls in tandem with gold, those who buy at a discount and sell at a premium will get an added kicker... and those who do the opposite will get kicked. To watch for the best entry point, visit the [CEF website](#) from time to time and click on "Net Asset Value." The figure is updated daily.

3. Perth Mint Certificates (PMCs) are a form of paper gold. The additional advantage a PMC provides over ETFs is that it gives you instant international diversification. The disadvantage is that it doesn't trade like a stock, as it's designed for more long-term holdings. It's also the only government-backed bullion storage program vaulted and insured by the state of Western Australia. There is a US\$10,000 minimum initial purchase and a US \$5,000 minimum for subsequent purchases.

If you live outside Australia, you must use an approved dealer; we recommend [Asset Strategies International](#) (1-800-831-0007 in North America).

### **BEST WAY TO OWN GOLD #3: THE RIGHT GOLD STOCKS**

Gold stocks are a leveraged way to play a rising gold price. You might look at gold as your defense and gold stocks as your offense. When the gold price really heats up, gold stocks will rise even more. It is this volatility that will bring us what we believe will be life-changing profits.

One bit of caution, though: With this added leverage comes added risk. Gold stocks exhibit greater volatility than gold in both directions. This has two implications:

- Our company recommendations should not be viewed as family heirlooms you can hold into old age or leave for your children. At some point, we'll be selling our stock positions to lock in big gains.
- We do not generally recommend short-term trading. You may read others who recommend doing this, but such trading in is not a prudent way to capture the big gains. Keep in mind that you must be right twice to make one profitable trade: You must correctly buy low and sell high to capture a gain. A wrong call on either of those can keep you from profiting. And worse—what if you get caught on the sidelines and the stock takes off without you?

Our best advice on how to buy a gold stock can be summed up in three steps: **Buy. Hold. Repeat until the top.**

**Buy** when prices drop and give you attractive entry points. There are always corrections, and when those inevitable pullbacks come, you have the opportunity to initiate or add to positions at attractive prices.

**Hold**—meaning don't trade it, time it, or run the risk of getting caught on the sidelines with stocks taking off. Plus, you'll get to sleep better at night than those who try their hand at timing.

And **repeat** until the rest of civilization joins us and pushes our prices much higher.

Until the Mania kicks in, we do recommend taking profits when you're up by, say, 50% or more. This is how we come up with the cash to buy more stocks and bullion.

By following this simple strategy, one can accumulate substantial positions over time at good prices.

In fact, Doug Casey has often said that his success as an investor has come down to one key factor: being able to recognize the difference between something's price and its value. Whenever there's a large discrepancy between these two in any form of investment, it's an opportunity to profit. And that's especially true with gold stocks right now.



## MR. CONSERVATIVE'S APPROACH

The easiest, simplest, and most conservative way to profit with gold stocks is to buy into a gold stock mutual fund that has a low expense ratio. While there are thousands of mutual funds, there are only a couple dozen gold stock funds, and not all make a good investment, in our opinion.

There is a second conservative way to buy gold stocks that most of the investing public is not yet aware of: gold (and silver) royalty companies. These are the least risky precious metal stocks because they buy a fixed percentage interest in a mine's gross production and let the mining company do the dirty work. In other words, they profit as gold is mined, and the price rises, but they have no exposure to production troubles or rising costs.

They're conservative—but don't mistake this to mean they won't be profitable: Our royalty companies have been top performers every year, even in years when gold stocks as a group were down.

When gold (and silver) take off again, profit margins of these companies will soar, as will their share prices.

## OUR SECRET TO PICKING GOLD STOCKS

When it comes to picking gold stocks, we seek out the most undervalued gold stocks and makes them long-term holdings. We start by analyzing the standard metrics: P/E ratios, revenue growth, market capitalization (or market cap), and debt/equity. That last one is particularly important; if a company is carrying too much debt and has to refinance in order to fund operations, it's not likely to raise the cash on very favorable terms.

But there are other factors unique to our sector that must be considered. We know demand is raging and supply dwindling, so we look closely at what proven reserves a company has in the ground, how quickly it'll be able to get them out, and at what cost. Once we know these things, we can calculate a net asset value for each miner that enables us to compare it to its peers.

After taking into consideration a gold (or silver) miner's metrics, we consider the intangibles. Are the company's mines in politically stable areas? How strong is the management's experience? Are the local governments supportive? And so on. The answers to some of these questions explain why we don't recommend some of the largest gold-mining companies, despite having low valuations.

In the end, we arrive at a list of what we believe are the best of the best.

## SIZE MATTERS

There are different sizes of gold producers, each with its own level of risk and reward. Here's the breakdown:

**Major Producers.** These companies have multiple deposits, usually in multiple countries, and are considered “majors” because of the size of their reserves and market caps. Generally, a major company produces over 1 million ounces of gold per year. They tend to carry less risk than smaller companies, and their stock prices are less volatile.

**Mid-Tier (or Intermediate) Producers.** A mid-tier company produces 100,000 to 1 million ounces of gold per year. Risk varies from company to company. Perhaps more so than the majors, their profitability is closely tied to the price of gold; as gold rises, these companies will show exponentially greater profits.

**Small Producers.** These companies are just starting to produce, have smaller operations, or have just one mine. They tend to have higher risk because they may lack diversification and are thus vulnerable if they experience a problem with their primary project. Yet, they tend to see the highest growth profiles, and as they add reserves or grow production, the market will typically revalue the businesses and reprice their stocks upward. More risk but more upside potential.

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To contact us, call toll free Domestic/International: 1-888-512-2739, Mon-Fri: 9am-7pm ET, or email us [here](#).

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