



Strategic Wealth Preservation



INSIDE THE VAULT

A QUARTERLY NEWSLETTER FEATURING
PRECIOUS METAL INSIGHTS - JANUARY 2020

WELCOME TO 2020

The past decade has been described by observers as “divisive”, “volatile” and even “disappointing”. Political turmoil, economic instability, global climate concerns and mass immigration are only a few of the challenges the world faced in the 2010s. For us at SWP, the decade also witnessed the birth of our company in 2014 after many years of careful planning, followed by acknowledgement from investors worldwide that they truly value the services SWP is offering. Although our clients’ validation is both comforting and rewarding, we know that many challenges and opportunities lie ahead for SWP as we kick off a new year and decade.

In 2020, we will continue expanding our multi-lingual service, communicating more often in French, German and Italian. We will deliver the long-awaited second and third phases of our renewed website, including a client portal area and e-commerce capabilities. We will also focus on bolstering our global secure storage network, which already features ten strategic locations worldwide, including two US-based facilities in Delaware and Texas.

However, one thing will never change; our commitment to always putting our clients’ needs first and providing them with excellent service. From the SWP family to yours, we wish you the very best in 2020 and beyond.



Mark Yaxley, General Manager for Strategic Wealth Preservation (SWP). He has been focusing on the diverse needs of retail and commercial precious metal investors since 2006.

PRECIOUS METALS IN 2019—AND WHAT THEY HINT ABOUT 2020

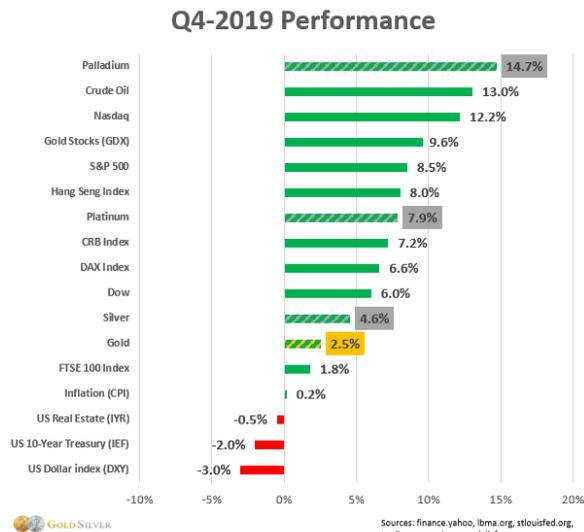
Written by Jeff Clark, Senior Analyst Goldsilver.com and SWP Advisory Board Member

Our ITV quarterly update shows that precious metals logged strong performances in 2019. Given that context, along with numerous elevated risks outlined below, the road ahead for precious metals, starting with 2020, is likely to be a strong one.

Q4-2019 Performance

After a strong August, gold was flat to down for the remainder of the year, due to subsiding trade war risks and a drop in the total of negative rate bonds. The price perked up in December to finish the year at \$1514.75 per ounce (London PM fix).

Here is the performance of the precious metals complex, vs. other investments.

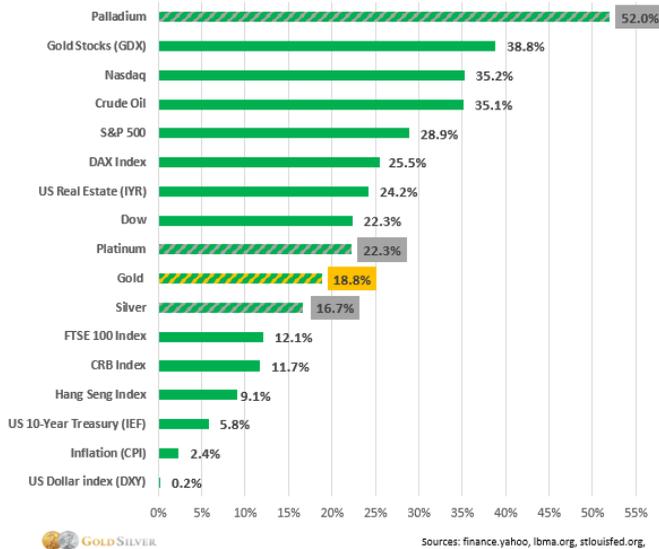


The gold price rose 2.5% in the last quarter of the year, with silver rising 4.6%. Platinum and especially palladium saw strong advances.

2019 Performance

Precious metals logged strong gains for 2019. This is especially noteworthy considering the broad stock market also saw robust advances, asset classes that are normally inversely correlated.

Strong 2019 for the Precious Metals Market



Gold ended the year up 18.8%, while silver advanced 16.7%. Palladium was the big winner last year, advancing an impressive 52%, mostly due to ongoing supply concerns. Perhaps to the surprise of precious metals investors, platinum rose more than gold last year, up 22.3%.

The highest closing price for gold in 2019 was \$1546.10 on September 4 (PM fix). It has already surpassed that level in early January trading. I'll point out that January and February is historically gold's strongest two-month period of the year.

Silver's highest price in 2019 was \$19.30, also on September 4. However, it has yet to regain that high in early January trading.

The gold/silver ratio (gold price divided by silver price) ended the year at 84, demonstrating that silver remains historically undervalued relative to gold.

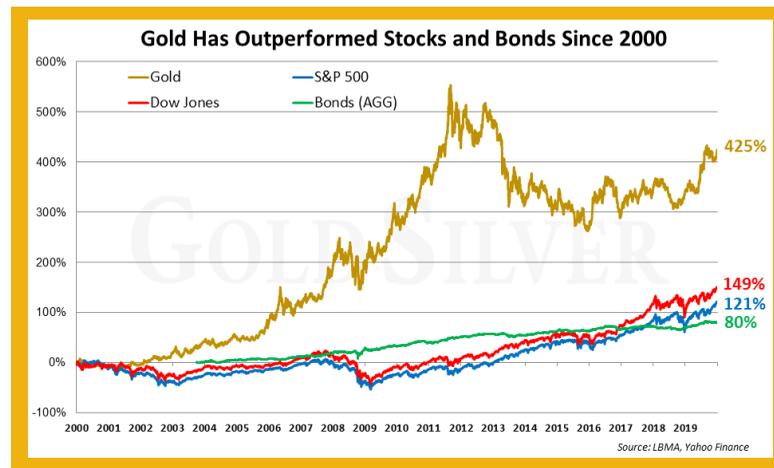
The phenomenon of silver trailing gold is common in the early stages of precious metals bull markets. In every instance, though, silver has surpassed gold's return

before the bull run ends. Given this historical tendency, silver is a very compelling buy at present.

- » Silver remains a "best buy" for 2020, given its deep discount relative to gold.

Gold in the 21st Century

Now that a new decade has begun, it is worthwhile to look at gold's long-term performance. This data shows how gold has performed vs. stocks and bonds since the turn of the new century.



You'll notice this 20-year period includes both bull and bear markets for gold and stocks. The long-term value proposition offered by gold is clearly evident. It also demonstrates that gold can be not just a defensive asset but an offensive one.

What to Watch in the Year(s) Ahead

The backdrop of 2019 provides clues about what the precious metals market might see in 2020 and beyond.

Gold Price Breakout: The gold price broke out of a six-year trading range in 2019, piercing decisively through the \$1,400 level. While technical analysis is not always a reliable barometer, a **breakout from a trading range of this duration is significant.**

Accommodative Fed Policy: The US central bank's actions turned considerably dovish in 2019, not just by lowering rates during a period of economic growth, but also in the prompt ramp-up of liquidity injections to overnight lending markets. **The jump in liquidity resulted in the Fed's balance sheet increasing at the fastest pace since the height of the 2008 financial**



crisis. Meanwhile, “real” rates remain negative, an environment supportive of gold. It is worth pointing out that gold began to move almost in lock step with the about-face on Fed interest rate policy, the price jumping from \$1280 to \$1550 in three months.

Recession Watch: Slowing economic growth remains a global concern. Economic figures were mostly mixed as the new year began, but any downturn in GDP will incentivize major central banks to keep interest rates low and pump liquidity into financial markets, both of which would be positive for gold. **History shows that gold has risen in almost all recessions.** A favorable outcome in the trade war between China and the US could boost manufacturing activity; however, many articles have been written about how economic “growth” has largely been the result of greater and greater debt. This will not be consequence free.

Central Banks Continue Buying Gold: Figures from reporting central banks show that more gold was purchased by this group in 2019 than since Nixon was US president. The World Gold Council projected that **net gold purchases by central banks will likely remain robust in 2020**, even if they may be lower than the record highs seen last year. Given the amounts, central bank purchases offer strong support to the gold price.

Stock Market Performance: If equity markets remain positive, gold’s performance could be muted (though as we saw in 2019 both asset classes can rise). Increased stock market volatility or corrections would push investors into gold. **Given that this is the longest bull market in stocks in US history suggests that investors should remain defensive.**

2020 Election: As part of Trump’s reelection campaign, he is likely to do everything he can to support the economy and markets; it remains to be seen if those efforts will be successful. A number of prominent hedge fund managers have publicly stated that a Warren or Sanders victory could crash the stock markets, which, if so, would push investors into gold. Either way **expect greater market volatility as the election approaches.**

Negative Yielding Debt: An issue that became front-page headlines in mid-2019, the total of negative yield bonds has since fallen from its peak. But concerns remain; as one example, all German government bonds currently trade at a negative yield. The jump in negative debt gave rise to talk about MMT (Modern Monetary Theory); it postulates that if debt is denominated in its own currency, a default could never occur since the government could print money to settle it. **An increase in negative government bonds, or the introduction of MMT, would be bullish for gold.**

Conflict with Iran: As we write, tensions between the US and Iran have escalated in response to the killing of Qassem Soleimani, the head of Iran’s elite Quds military force. This is a stark reminder of the possibility of black swan events, an unexpected event that catches investors off guard. There seems to be an increasing number of these possibilities.

The number of risks embedded in global economies, markets, and currencies point to the increased likelihood of a major crisis. If so, the big gains for gold and silver have yet to occur. ■

THE INHERENT WEAKNESS OF FATCA

Written by Jeff Thomas, feature writer for Strategic Wealth Preservation, Doug Casey’s International Man and 321gold.com

The Foreign Account Tax Compliance Act (FATCA) went into effect in 2014, ostensibly to stop US taxpayers from evading taxation through the use of offshore accounts. And, to this date, most all American investors who have, to one degree or another, internationalized their wealth, live in fear of FATCA. They make the assumption that their government is after them specifically and means to strip them of their wealth, demanding that offshore banks repatriate their wealth to authorities in the US. Nothing could be further from the truth. Despite spending nearly \$380 million on FATCA to date, the Department of the Treasury (DOT) has still not begun its claimed campaign of going after “tax cheats.”

So, what’s going on here?

Well, the extraordinarily well-kept secret is that FATCA was never intended to pursue these individuals. It has an entirely different agenda. But to understand this, we have to go back a bit.

In 2009, The DOT began to examine the American taxpayers’ use of UBS bank in New York City to transfer funds to accounts in Switzerland. Whilst this wasn’t exactly news, it occurred to them that the New York branch of UBS was its largest in the world and, if it were to suddenly cease doing business, UBS worldwide would go belly up. As the branch was registered in the US, the DOT had the power to call the branch on the carpet and fine them, if it found fault with their operation. But, if there was nothing amiss in the way the bank was operating, it was a simple task to pass new regulations, then find fault with the failure of the branch to follow the new regulations to the letter. Then, the DOT would be in a position to fine UBS for a substantial sum – hundreds of millions of dollars – or it would face the loss of its license to operate.



It worked. UBS quickly caved. The DOT was able to bring in a very large amount of revenue, with minimal legal costs and minimal legal delays. The FATCA format was born.

The US then went international with the concept but was unable to get it fully operative until 2014. From that time on, FATCA has repeatedly issued “minimum international standards” of reporting, for financial institutions, worldwide. These standards were onerous, time consuming and costly, to say the least. Since 2014, the banks of the world have been scrambling to meet minimum standards, only to have them arbitrarily raised, again and again. Worse, the standards are often so vague and self-contradictory that it’s all but impossible to fully comply. As a result, no bank is ever 100% in compliance and FATCA has had a field day, targeting banks worldwide and applying the muscle. They never attack all the banks in a jurisdiction; they isolate a few in the jurisdiction and exact an enormous toll, then move on to another jurisdiction and do the same.

Of course, this is far more effective than going after the individual American, who may or may not have paid his taxes. To do that would involve the court system in another country, plus legal costs and might take years. And, even then, the outcome and the revenue would be uncertain.

So, from the beginning, FATCA was never about chasing “tax cheats.” But, why the ruse? What not just call a spade a spade?

The answer is that most Americans (and non-Americans) would nod their heads in acceptance at the idea of pursuing those who may not be tax-compliant, but if the real objective was to go after banks, that was a different kettle of fish. After all, going after the banks had no bearing on tax compliance. It was, in fact, little more than a Mafia-style shakedown. (If you pay me the \$50 protection money, your front window won’t get broken.)

The DOT could not be seen to be in the business of shakedowns. But, if the DOT is prepared to spend hundreds of millions of dollars on a new collection agency, why not actually go after the people who may possibly be delinquent in paying their taxes?

Well, in actual fact, that had been attempted for many decades before FATCA was created. The DOT tried passing laws in other jurisdictions, but, as it had no legal authority to do so, these laws were ignored. Each offshore jurisdiction reminded the US that, in order to freeze or confiscate the contents of an offshore account, the US government would need to first go through the court system of that jurisdiction.

In order to be successful, “double criminality” would

need to exist in the two countries. The laws in both countries would need to match, or confiscations would not be legal.

Many attempts were made at pursuing this government-to-government approach over past decades and the US came away with considerable time and money spent, but little revenue to show for it.

And so, with FATCA, they’d hit upon a different scheme – a government-to-bank shakedown. This worked, as the individual banks were prepared to pay massive fines in order to avoid being shut out of the New York banking system by the DOT.

Amazingly, so many Americans live in fear of FATCA that they’re unaware of its true nature. Although the DOT frequently promotes FATCA as being intended to chase non-compliant individuals and corporations, it has actually never been in this business. In an interesting parallel, this is equivalent to the Mafia stating that it’s primarily in the olive oil business – a legitimate front for its illegitimate true objective.

But, where does this leave the law-abiding American investor who simply wants the added layer of protection that internationalizing his wealth will bring? The answer to that is that, today, he should avoid storing his wealth in any bank, even in the most investor-friendly jurisdictions, as those banks are potential targets of FATCA (and in future, GATCA, the global version of FATCA).

If he wants to safeguard his wealth against rapacious governments, he would be well-advised to exit banking institutions entirely and keep his wealth in non-banking depositories. The number of these depositories is growing worldwide, and a handful have facilities that equal or surpass conventional banking.

They’re not targets of FATCA, because, as they’re not banks, they can’t be removed from the banking system. Increasingly, such depositories are becoming the way forward for wealth holders – live in one country, store your wealth in another. And, most importantly, in some choice jurisdictions, these depositories have no reporting responsibilities to either their home government or any foreign government.

As fearful as FATCA appears to be, it has a fundamental flaw. If your government has to go through the court system of another jurisdiction in order to take your wealth, it’s likely to fail, as this can only be done when dealing with a jurisdiction with the same laws, or “double criminality.” ■



DUE (IT YOURSELF) DILIGENCE

By Lobo Tiggre, author, speculator and founder of the independentspeculator.com

I refuse to call it “Due Diligence for Dummies,” because I know my readers are anything but. I never liked that terminology for entry-level texts, anyway. Hence the train wreck of a title above.

But I do want to help those who can't travel and kick the tires (or rocks) on investment opportunities the way I do. So, here's a quick list of do-it-yourself ideas that every commodity stock speculator can employ at home:

Google. You can and should use Google to search for key members of the management team of companies you're considering speculating on. A history of past wins is an obvious plus. A history of failed projects and lawsuits is not. You can also often find articles and reports on the prospects and projects themselves—not written by management. Sometimes new management changes the names of projects, but former names can usually be found in the project history section on the company's web site. Google is not foolproof, but it can give you a lot of information that, at the very least, is not being spun by management.

SEDAR/EDGAR. Public companies all have mandatory filings with market regulators that are made available to the public. In the US, these are available through [the SEC's EDGAR site](#), and in Canada, through [SEDAR](#). There's a lot you can tell from any company's quarterly financial statements and other public filings. For example, are they spending more on general and administrative expenses (their salaries and offices) than they are on the project? Are their filings often late? Does the management discussion and analysis (MD&A) disclose things not mentioned in the glossy corporate presentations on the company website? You don't have to be an accountant to see, for example, that a company that's spending \$1 million per year and has \$300,000 in the bank is in dire need.

Corebox.net. This website is a **free** tool that displays drill results in 3D. This is a great help for amateurs and professionals alike to get a visual representation of what a mineral exploration company has found in the ground. The tool has widgets that let you examine drill results in several ways. The key thing you're looking for is consistency. My favorite is the grade slider, which lets you see where the high-grade hits in a deposit are. Best of all is that you don't need any special software. It's simply a web page that does all the work for you.

Study the subject. Whether it's mining, marijuana, biotech, or blockchain, you want to learn as much as you can about whatever you're investing in. This may seem too obvious to state, but a lot of people let themselves get intimidated by the task. They rely on experts, falsely assuming that they will never be able to decipher the jargon in company press releases and so forth. It's daunting at first, I understand, but it's a no-lose proposition. Every single thing you learn is one more thing you can figure out for yourself going forward.

Pick up the phone. You may think you're not expert enough to grill management on the phone effectively, but don't sell yourself short. Even if you're not an expert, you can tell a lot from how well management answers questions. Do they hesitate a lot? Repeat themselves a lot? Do they try to snow you with jargon when you ask a simple question? People are critical to the success of any venture, and every human being on earth has some sense for slick talk vs. straight talk. You might be surprised how often a CEO in a shaky company shows it by not being able to answer simple questions like: “What's your budget this year, and how much cash does your company have in the bank?”

One more thing: you don't have to stay at home. If you're an investor or a potential investor, you can sometimes get included in a due diligence trip the company itself puts together. They usually have only enough room for analysts and major investors, but sometimes they book a bus or a plane that's larger than needed for their main guests, and they may let others join the trip. All you have to do is ask when you speak with management.

Good luck, and happy hunting. ■

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ASK THE EXPERT

Written by Mark Yaxley, Precious Metals Expert and General Manager for Strategic Wealth Preservation

Thank you, Roger Birch, for submitting your question to our experts: **If my metals are 100% segregated and allocated, how do I know that the items in my secure storage box are solely mine if I do not have a record of their individual, identifying serial numbers?** For submitting his question, Roger is the winner of a 1 oz limited edition Silver Marlin coin.

We love ‘tough’ questions because we sincerely believe that investors should ask them, and that they should expect a transparent and logical response from the service provider. The same rule applies to SWP.

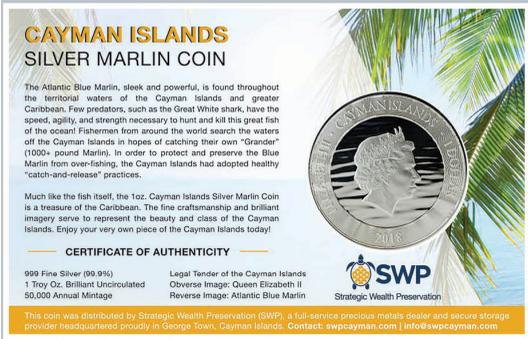
SWP’s company policy is to record the serial numbers of 1000 oz silver bars, kilo gold bars, 100 oz gold bars and 400 oz gold bars. The sheer volume of 1 oz, 10 oz and 100 oz (silver) products entering the vault would make the task of recording every single serial number very time consuming and costly. In the end, we’d have to pass that cost back to our clients, rendering SWP non-competitive vs. other vaults.

That being said, our clients do receive an annual statement from an independent 3rd party auditor which conducts a count of all the products in the vault each spring. We provide our clients with pictures of their products upon request (a small fee does apply). Best yet, our clients can visit their holdings in person upon 24-hours notice and conduct a self-audit, free of charge. There is simply no better way to know that your products are inside the vault than to visit them yourself.

“You receive an annual audit statement from a 3rd party auditor. Pictures can be provided upon request. Best yet, you can visit the vault yourself and conduct a self-audit.”

ASK THE EXPERT CONTEST – WIN A LIMITED MINTAGE SILVER MARLIN COIN

If you have a question about precious metals that you’d like answered by one of our experts, please submit your question to info@swpcayman.com. If your question is selected, you will receive a limited mintage 1 oz Silver Marlin coin.





Strategic Wealth Preservation

ABOUT US

Strategic Wealth Preservation (SWP) is an international precious metals dealer and secure storage provider headquartered in the Cayman Islands. We specialize in the acquisition and secure storage of precious metals for individuals, companies, trusts and wealth management professionals on behalf of their clients. We deliver precious metals worldwide to homes and businesses and offer secure storage in vaults located in the Cayman Islands, Canada, the United States, United Kingdom, Switzerland, Liechtenstein, Germany, Singapore and New Zealand. We also offer offline cold storage services for cryptocurrency devices and corporate disaster recovery services for businesses located in the Cayman Islands.



SWP's secure storage facility
George Town, Grand Cayman



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