



COMMENTARY FOR THE FIRST HALF OF 2016

WILL THE REAL TINA FINALLY STAND UP, BEFORE THE WORLDWIDE FINANCIAL RESET UNFOLDS?

Is it the bond market, especially US treasuries and the worldwide corporate debt market?

Is it the US dollar and the US big cap equities? And in their slipstream a revival of emerging economies?

Is it bullion gold and our \$5000 target per ounce?

Market observers were in total confusion on Friday 8 July, by the market reaction to the US job figures. How was it possible to have rising stocks (the Dow flirting with all-time highs), new lows in government yields and more curve flattening while gold and silver were rising?

The drivers to connect some of the dots have fancy names like 'Rexit', 'Brexite' and a near 'Hitllaryexit'.

The drivers are also a scent of exasperation under the common people, based on real or perceived inequality, injustice and instability. "The natives are getting restless."

Unrest and disbelief are growing. Uncertainty seems to freeze up our economic growth capabilities. Debt is becoming a problem again.

Believe in the 'model' is unravelling as illiquidity shocks occur in a sea of overabundant liquidity. More stimulus is now feared as incarnating an act of despair by a growing minority of observers, while being cheered for by the establishment and the happy one percenters.

The cry for central bankers to use their last bullet, namely helicopter money, has become deafening on a daily basis. It means deficit spending financed by non-sterilized money printing. (Under QE, market-neutral sterilizing was at least still pretended.) The elite is trying to sell this idea to the plebs under the pretext that such money will only be used for financing infrastructure projects with the hope of inducing real productive growth.

Apart from praying to God that the forces of 'The Dark Side' won't overwhelm our way of life and our civil liberties with brutal repression and confiscation, leading to a collapse of society, poverty and war, what can a man do to protect his wealth?

Let's explore some of the drivers in the hope to find some answers.

FIRST DRIVER 'REXIT'

In our opinion this theme is as important as Brexit, although it got a lot less attention by the mass media. Rexit is the exit from Raghuram Rajan as governor of the Indian central bank, the RBI.

Why is this so important?

Because it illustrates the herd thinking in central banker circles. It also bears ill about durable economic growth for India, and the world has no alternative in terms of number of population. (If India does not grow, where will future growth come from until China has completed its transformation?). Lastly it exposes the physical gold market to another blunt attack by the corrupt Arun Jaitley (the minister of finance) who clearly has a strong hand on the Indian president Modi.

Mister Rajan was left no choice, but to give up on his RBI governorship.

Internationally he had enraged Bernanke when he (Bernanke) was still an acting Fed president. In 2005, he was a rare canary among economists, admonishing central bankers about the dangers from a forming subprime bubble. Years later, being a central banker, he had the honesty to put QE effectiveness in doubt in public discussions... World central bankers, all heavy-handed in ZIRP, NIRP and QE experiments, saw Rajan as a traitor, as someone fouling his own nest. They wanted him to shut up, because his doubts would hamper the effectiveness of such policies. Remember Kuroda saying in June 2015 it's like the story of Peter Pan, "The moment you doubt whether you can fly, you cease for ever to be able to do it." They didn't support the idea that Rajan's attitude endangered their warm cosy feeling of being part of the herd of central bankers acting in unison.

In an urge of "whatever it takes" Rajan had to be exited like the one eyed king in the land of the blind central bankers. (Image borrowed from Rajan's speech, see further.)

That's why I dare to suggest that mister Rajan was forced to take the exit by discrete manoeuvres of the IMF, the World Bank and the US Government. What promises were given to Modi and his crook A. Jaitley? Was a freeway given to money printing for the RBI, a lot of foreign soft loans or the willingness to forget about the implications of the declaration about human rights, ignoring the corruption and even bloody hatred crimes?



Strange, how they now accredit Modi with all the honors after being persona non grata for years, for his involvement in multiple barbarous incidents of butchery by extreme Hindu nationalists and racists. Strange also to see, how the complete herd of world press has lost all memories on this subject.

But this international view gets, in a horrendous twist of facts, also credit by internal Indian motives, to oust Rajan. Indeed, several domestic motives were used for Rajan's exit.

He was accused of not being accommodative with interest rates. Party clerks of all ranks accused him of hampering growth by not lowering interest rates more rapidly. His anti-inflation stands seem to have molested the rich Indian elite... Rajan knew all too well that inflation is always to the detriment of the poor and sustainable economic progress. For those still in doubt on the subject, I invite them to have a look at the poor and middle class in Venezuela at the moment.

When he had the frankness to put in doubt the new GDP numbers, that are now based on Jaitley's bureaucrats' new model, government was not amused. (Remember how Europe also changed their GDP calculation, now including prostitution and drugs.)

When he said he saw no reason to express self-gratification on the growth prospects of the Indian economy and used the image of comparing the Indian economy with a one eyed king in a blind world, he was attacked for hurting the feelings of blind people instead of on the message.

While combatting inflation, he was in the process of depoliticizing monetary policy and installing inflation targets as a monetary tool. He was also cleaning up the non-performing loans at public banks, who have a predominant position in the Indian market. Indian tycoons have a habit of securing loans from public banks on a flawed basis, without much scrutiny. In hard times, nobody seems to care about recuperating assets, forcing payoffs on loans gone bad. Going in strong on netting such forms of corruption, has again made Rajan a lot of enemies with power in the government. Quote from Mihir Swarup Sharma on NDTV: "In any case, you have to be a special kind of stupid to imagine that crony capitalism and corruption has vanished when the BJP has enough money to buy the front pages of every newspaper every time it fights a minor election."

But what caused the most nausea and made me hear the pain of hundreds of millions of impoverished Indians, was how Modi let Subramanian Swamy (big apparatchik in the BJP) do the dirty

work, smothering the hope that Modi would be a real help for the Indian economy. Swamy reacted to a speech from Rajan, who was calling for tolerance after a Muslim was lynched for allegedly eating beef. Swamy questioned whether Rajan was "mentally a full Indian". He went on further saying that the fact that Rajan had a US green card made him disqualified for being RBI governor. Pure blind racism and extreme nationalism... and no word from Mister Modi.

My conclusion is that Modi has put his government in the hands of the most extreme racist Hindi in the BJP. From his government came not one word of defense against Swamy's attack ad hominem. The fears, that Modi has not sworn off his despise for non-Hindi people, come through.

And on the other side, Jaitley has amply demonstrated that he controls the country on economic issues. His crony friends know that their interests are safe in the hands of this master crook. What this man has done to 4 million workers in the jewelry sector in India speaks loud and clear. He gave the gold smuggling mafia an incredible big new business line, gaining 50 to 60 dollars per ounce on black imports of tonnes and tonnes of gold per month.

So the gold market should be wary of this Modi government doing another coup on Indian gold imports, if asked by the international establishment. Indeed, the fall from \$1523 to \$1300 was based on the introduction of an import tax on gold in 2013.

Indian population has reached 1.327.291.954 at this day. It has a young demographic curve. It has already shown to have a young generation capable of leading enterprises in the technology sector. All say the same India can be the saver of world economic growth in the coming decades. This country already has the biggest import growth of energy in the world in absolute figures, to name just one example.

India has indeed the potential to create new debt in the hundreds of billions and do so in such a way, that it helps to boost the lack of demand the world is suffering now. Rexit however makes me fear that India will be like Brazil. Years of money printing (as short term growth will be put above everything) and a splurge of international debt, feeding the pockets of crony capitalists more than the real needs of the Indian people, are now quasi assured. But we know how such growth ends, years later in tears.

In the end 1 billion Indian paupers will suffer once the music will stop. Indian women will still suffer brutal discrimination and the



risk of civil wars, based on hatred, racism and Hindu extremism in the future is already growing daily. In recent incidents 30 were killed and 800 injured in the Kashmir region, biggest casualties in a single day since 2010. It is too easy mister Modi to point the finger at Pakistani involvement after you did nothing to stop fomenting extremism!

With our actual leadership in the world, only God seems to be capable of reversing India's faith now. But yes, in pure money terms, there is an opportunity to make returns on India in the coming years. A normal monsoon season this year will also be a tailwind for India.

SECOND DRIVER 'BREXIT'

The hubris of Cameron came smashing in his face. The vote for a Brexit won. I see this as a positive outcome for Great Britain. If Osborne or the future government goes through with lowering corporate taxes to 15%, it will not be Britain that falls in a black hole, but your bureaucratic socialized Europe, mister Michel (see interview Belgian prime minister with the Financial Times).

It was not just a revenge for Merkel's and the European commission's stance on immigration that led to this vote outcome. It was also the common people being fed up with false promises of better living standards thanks to EU integration and globalization. It was also an indication that common people are starting to lose faith in the narrative of the establishment and the power of the institutions.

It is the prelude to a shift in sentiment from public to private. The euro will sink once distrust in government bonds crystallizes. Indeed, the unique valve to let pressure escape in the system is the value of the euro, as the EU is overburdened with debt and lacks budget flexibility. More taxation is also not realistic as this assures to be a comparative death knell for future growth. THE REAL FIGHT FOR EURO SURVIVAL HAS JUST STARTED.

But even in such a shift, there will be risk-on and risk-off phases in the mood of the people. The best risk-off asset is gold, as no government nor central banker can print it into existence. Hoarding gold for an individual, is like having one's own private central bank. In the risk-on phases during this shift to private, equity will have its chance to perform. Nothing better than some helicopter money to create waves of such risk-on phases.

Abe Shinzo won a 2/3 majority in the elections on 10 July. Just the expectations of a form of helicopter money from Japan was enough to make the Nikkei rise a 1000 points in 2 days and it also helped the Dow and S&P to new records.

In a helicopter money environment, silver should begin to outperform gold. Gold equities should outperform other equities and bullion. Silver equities should outperform gold equities. This has to affirm itself in coming risk-on phases.

THIRD DRIVER QUASI 'HITLLARYEXIT'

Hillary should have been evicted from the presidential race. First of all, if the democratic pre-election campaign hadn't been skewed in favor of Clinton, by the partocrats and with support of the bought out (or is it bought in) press, Sanders should have won.

Second, her past actions as Secretary of State disqualifies her clearly, as being an untrustworthy person, morally incapacitated to lead the free world. She lied in the email scandal. (Lying seems to be a habit in the family: "I did not have sex with that women.") She is guilty for fiduciary breaches (in the letter and the spirit of the law) in her email management. She sold out favors as Secretary of State in order to enrich her family via the Clinton Foundation. She also sold out to crony lobbyists and warmongers in Washington. Her office has had a hand in a lot of butcherous conflicts and wars, from Ukraine to so many Middle Eastern countries, for recreating the cold war with Russia, for meddling in the South China Sea discussion and for financing terrorists in the hope they would force a Syrian regime change. As an aside, strange how so many conflicts were started under a president winning the Nobel price of peace.

So now she will be the candidate against Trump. If Trump plays it well, he can score victory as the Clinton-women will be seen as the establishment candidate. The Americans, especially the blacks and Hispanics, seem upset with the status quo. They are restless. Never were there more blacks killed or imprisoned than now with a black man in the White House. Never for decades were the common people more fed up, with the US congress infight on pure party lines.

If Hillary is elected the dollar can rise as the establishment wins and actual central banking would be confirmed. But after some time, after some more war expenses and choking trade wars in revenge, the claim of American exceptionalism would end. The financial reset will then happen with a very weak US at the table. US equities should crash after an initial rush up.

If Trump wins, he will not make America great again (the empire is over the top), but in the beginning he would be better for American domestic affairs. He would use debt and printing to help a more isolated US economy standing firmer. Here the dollar can rise post-election and the US equity market can fly high-



er initially. As he would be more isolationist, the dollar should become more scarce!

CONCLUSION MEDIUM TERM

US dollar up, euro down.

I have the opinion that US rate hikes and helicopter money will be inflationary. Money velocity should begin to turn up, so silver would light up.

Gold and silver equities will be the best risk-on asset in this process. They are still undervalued against actual bullion prices, which will triple themselves.

The real TINA is thus precious equities!!! The US dollar and the Dow and S&P can become temporary TINA havens in risk-on

phases, but monetary tools like helicopter money will be necessary to give it some further reach. If the Dow has to double in an ultimate Minsky blow up, gold equities should beat such a return.

US government bonds are just an imposture posing as TINA. Stay away from them and sell Euro government debt now already.

Hope you enjoyed reading

written by our analyst Marc Syx,

for iW Alternative Alternative General Partner,

the fund manager

PERFORMANCES FOR JUNE 2016

	Class	ISIN	MTD	YTD	NAV
iW Alternative SIF – Low Risk	P	LU0762435906	+10.2%	+34.0%	€12,280.87
iW Alternative SIF – Commodities & Gold Equities	P	LU0762436201	+33.1%	+140.5%	€ 619.72
iW Alternative SIF – Real Value Growth Fund	I	LU0762436037	+19.0%	+72.2%	€ 94.48
	P	LU0762436110	+19.0%	+72.0%	€ 91.93
iW Alternative SIF – Apis Lucrosa	I	LU1071453895	+5.4%*	+17.6%*	€ 1324.66*
	P	LU1071456054	+5.4%*	+17.3%*	€ 1222.95*
iW Alternative SIF – Apis Resiliens	I	LU1372145638	-1.0%*	-0.4%*	€ 995.58
	P	LU1372145802	-1.0%*	-0.6%*	€ 993.81*

* The official NAVs for Apis Lucrosa are only available on the 16th of each month so the figures given are based on our best estimates and could differ from the actual official NAVs

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