

INVESTMENT FOR WEALTH

General report

Comments for august 2012

Europe

One quote says it all : “Too many chiefs and not enough Indians”. We should however see some definition in September and October, at least on : Spain’s banking bailout, Spain’s bailout, Grexit, Germany accepting government debt monetization by the ECB, the German constitutional court issue, the European recession, the French budget deficit (did you know that the French government took over (nationalized) the second largest mortgage lender Crédit Immobilier de France on Saturday September the 1st of 2012?), Portugal missing its deficit target etc.

All of this is generating a lot of uncertainty in the real economy, refraining enterprises from investing in capital goods and refraining consumers from expanding their consumption. Without the ‘correct answers’ from Europe and the ECB, the euro-recession could thus become a depression by 2013.

But finding the ‘correct answers’ among so many decision makers, who often have adverse interests, is difficult. Take the Spanish banks for example. During the LTRO1 and LTRO2 they have bought a lot of Spanish government debt, to pledge it with the ECB in exchange for cash. Because of the continuing capital flight (the modern form of a bank run), Spanish banks have lost an incredible 74 billion euros of deposits in July alone! This has forced these banks to SELL Spanish government bonds! So clearly, even a LTRO3 would not be able to prolong the solvency illusion for Spain. Without help from Germany and the ECB, its game over for Spain. If these lenders of last resort would stay on the sidelines, Spain could default before the end of the year!

Gold could in reaction thus get a turbo boost, independent of any proposed solution.

Japan

Japan has in July fallen in deflation again, the economic growth was once again deceptive. We have sold some of our exposure in the Real Value Growth fund out of precaution.

US and Jackson Hole

As the USA seems to be struck with low growth (1,5% to 2%) and high unemployment (the new normal), Helicopter Ben has made it clear that he stands ready to act. Fed speakers now foresee low rates beyond 2015 and have introduced the concept of a new type of QE, open-ended QE (which implies without a limit on time or amount).

Surely, more European cacophony and more falling growth of the BRIC’s would trigger the hand of Helicopter Ben even more rapidly. Food and energy inflation will not be a sufficient reason to refrain the FED from acting, neglecting even the hanging fiscal cliff.

Gold investors love this situation, open-ended QE can translate in to new highs for gold. By the way, as of the treasury auctions of the 31st of August, the US government debt has reached the threshold of 16 trillion dollars

China

Chinese date confirm the falling growth rate. The central government is hesitating to lower the interest rate out of fear of food and energy inflation. More negative figures will force China to implement new pro-growth policies. This will impact the Chinese gold demand positively.

Other BRIC’S

Russia continues to place more of its central banks reserves in gold. If energy prices hold or rise above their current level, this gold buying will go on.

Brazil has lowered its interest rates again, despite inflation numbers coming in higher than anticipated. They seem to be obsessed with pro-growth government measures. We think they will recollect more inflation than growth.

India has also seen its growth rate diminishing and is announcing more stimuli. The cultural tradition to use

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gold, as a hedge against rupee debasement, should be beneficiated. The coming wedding season will also lift Indian gold imports in the last quarter of 2012.

Conclusion

Clear sailing to higher gold prices all over the world seems to be the new credo.

We expect the market to buy every dip in gold and silver in the coming months. Gold prices of more than \$ 2300 for next August are very likely. The only temporary derailment of this move could come from European indecision, creating a short term deflation psychosis on a worldwide basis. Temporary, because it's hard to imagine Helicopter Ben and his acolytes staying hands crossed under such occurrence.

The HUI-index is again approaching resistance at 460, terminating August at 458.4, still down some 8% on the year. Our commodity fund is up 3,6% on the year, so our perseverance in our asset allocation begins to pay off.

Gold Bugs Index, Momentum-Oszillator, 2011 bis 2012



Chart - IW Alt Commed PC

Telekurs



Performances and trading

We sold our Australian bond exposure in the Low Risk. Further Chinese slowdown could impact the Australian commodity exports heavily and risks affecting the Aussie dollar.

We will reserve this cash to invest in convertible bonds. See in the annex, our proposition for investing in the Bellatrix convertible bond fund.

For the Real Value Growth fund, we have diminished the Japan exposure, also with the idea to invest in the convertible fund. Until Japan begins a full monetization program, breaking the yen dollar value, it looks like the Nikkei will continue to miss traction.

iW Alternativ SIF – Low Risk

The fund has increased by 1,9% in August, NAV 11919,82 EUR.

iW Alternativ SIF – Commodities

The fund has increased by 14.3% in August, NAV 1100,26 EUR.

iW Alternativ SIF – Real Value Growth

The fund has increased by 9,8% and 9,7% in August, NAV 106,76 EUR (I), NAV 105,99 EUR (P)

Best regards,
The fund manager

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