INVESTMENT FOR WEALTH

General report

Comments for July 2013

Update on central bank policies.

US

The US will taper «QE» (see also Macro-Webinar from July 10th – www.investmentforwealth.com).
The only doubt the market has is when will this start. Depending on incoming economic figures September or December are the most popular. The bond market continues to adapt to this scenario, rates are up and expectations are that the 10y treasury rate can mount another 1% in the next 12 months. We don't believe that this will derail America's growth although real estate appreciation will begin to slow down.

The GDP growth for the first half of 2013 was estimated at some 1.4%. Against the Fed's heavy lifting with 85 billion «QE» per month this growth is meager and unstable. High unemployment, records in part-time jobs, records in food-stamps and records in people living on disability. Low to negative income growth for the mass amid an ocean of debt. Total world economic debt- not counting for unfunded future liabilities (medical care , pensions)- is estimated at more than 365% of world GDP. We Repeat total world debt! The US is estimated to have had some 285 % debt against GDP in the 1920's.

For now we think we will see a correction in the US equity market before year-end. It might be accompanied with a hefty short covering rally in precious metals, physical and mining.

We think that somewhere in the second half of 2014 'cost push inflation' and ' the fed behind (the yield) curve' will become a mainstream topic (see also Macro-Webinar from august 7th www.investmentforwealth.com).

Europe

Europe will have to keep rates low. The risk is more on the downside for yields set by the ECB. Once German elections past the real problems will have to be dealt with:

✪ Greece and Cyprus another BAIL-« OUT » and or « IN »

✪ Spain's banks, Italian banks (non performing loans on Italian banks balances are growing at an annual 22 % rate in 2013).

The following article from the « Financial Times », based on multiple analysis's, illustrate the best our own view :

Eurozone Funding Shortfall Rises To Over $4 Trillion, Increases By More Than $500 Billion In A Year. Europe's biggest banks will have to cut €661bn of assets and generate €47bn of fresh capital over the next five years to comply with forthcoming regulations aimed at reducing the likelihood of another taxpayer funded bailout.

The figures form part of an analysis by the UK's Royal Bank of Scotland – which singles out Deutsche Bank, Crédit Agricole and Barclays as the banks most in need of fresh capital – highlighting that five years on since the financial crisis, Europe's banks are still "too big to fail". Overall, the region's banks need to shed €3.2tn in assets by 2018 to comply with Basel III regulations on capital and leverage, according to RBS. The burden is greatest on smaller banks, which need to shed €2.6tn from their balance sheets, raising fears that lending to the region's small and medium size enterprises will be sharply reduced as a result.

"There is too much debt still across Europe's economies and the manifestation of that is on bank balance sheets," said James Chappell, an analyst at Berenberg bank. "The major issue is that the banks still don't have enough capital to write down those loans." Eurozone banks have already shrunk their balance sheets by €2.9tn since May 2012 – by renewing fewer loans, repurchase and derivatives contracts and selling non-core businesses – according to data from the Frankfurt-based European Central Bank.

Deutsche Bank recently said it would seek to cut its assets by about a fifth over the next two and a half years. Barclays, which announced a £5.8bn rights

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issue last month, said it wants to shrink its balance sheet by £65bn-£80bn.

Europe's banking sector assets are worth €32tn, or more than three times the single currency zone's annual gross domestic product.

Of course, if Europe's banking sector actually does take its deleveraging obligations seriously, what will happen to Europe's economy, where private sector loan creation is already at a record low level, will be nothing short of a stunning contraction, unlike anything seen in the past 5 years. And yet, that is precisely the path Europe most take in order to emerge on the other side with a healthy beating financial heart. That it won't is a given because doing the right thing would mean a complete wipe out for the banker oligarchy. And, as always, it will be the common man who will suffer when the forced deleveraging day finally comes.

(End of the Article from the Financial Times)

Conclusion

So we stay with our vision that the euro will decline against the dollar. Euro problems should temper the downside risk on gold from a rising dollar.

The Japanese

Central bank is already blamed by the market for not enough activism. We are just 4 months after the' shock and awe' announcement of 'Abenonics'. Abe has announced he will communicate on the planned VAT tax plan to put VAT at 8 % in 2014 and 10 % in 2015 from the actual 5 %. If he fails to implement this law he will give the market a clear signal that "Abenonmics" is nothing else than a disguised currency devaluation plan and that there is no hope of a rebalancing of state debt for Japan. Downgrades on Japans 1 quadrillion-yen government debt should follow rapidly. Lost confidence will make the world and Japanese flee out of the yen and a default angst on the 10 trillion (in US dollars) Japanese state debt will engulf the world. Another reason to be prepared for an equity worldwide correction before years end.

China

continues to struggle with its conversion to a more intern-consumption oriented economy. We think they will meddle trough until 2015.

For the other Bric's

Capital outflows and inflation problems with a lack of growth will continue.

Precious Metals

In this context we continue to see our precious metal bias as a good strategy.

We accept that the US dollar and the US general equity market will stay a heavy concurrent to precious metals for the next 24 months. We believe that gold and the mines will become the winner of the race before 2016 passes.

Performances and trading

iW Alternativ SIF – Low Risk

The fund has increased by 6,21% in July, NAV 9432,12 EUR.

iW Alternativ SIF – Commodities

The fund has increased by 17,35% in July, NAV 434,00 EUR.

iW Alternativ SIF – Real Value Growth

The fund has increased by 7,59% in July, NAV 69,00 EUR (I), NAV 68,08 EUR (P)

Best regards,
The fund manager