INVESTMENT FOR WEALTH

General report

Comments for March 2014

Patience is still required, but a new dawn is coming. Printing continuously, without achieving a rise in inflation, will lead to a collapse in confidence. Ultimately the dollar (after the yen and the euro) will lose its moneyness and the 'invisible hand' will scalp the US dollar reserve currency position. A global monetary transition to a new world order will erupt. Precious metals will be a perfect asset for your wealth to survive this transition phase.

Gold is now at the 50% retracement level of its recent advance. Gold is conforming that we just had a short-covering rally, albeit a bit brutalized by the Ukrainian imbroglio. Silver's lack of participation is also pointing in this direction; time doesn't seem ripe for a new launch higher just yet. So let's be thankful for the recent boom in our mining portfolio and look at what can be expected for the rest of this year.

We still think that it's possible for gold to retest the $1180 support level, but the window of time is further closing. A plausible breach will incline a minimal target around $1080-1090. Our year-end target stays around $1450.

Time is just not ripe yet for multiple reasons. Let's try to enumerate the most important ones here.

♦ Cost push inflation in the US has been delayed, partly due to the extreme weather, by the underperformance of the US GDP growth so far. Our expectation : it will come in the second halve of 2014.

♦ The US dollar's expected rise against the euro is also in retard. Our expectation : it will come in the second halve of 2014.

♦ The taper is on, but the consequential expected rise in money velocity hasn't moved its head up yet. If growth picks up : it will come in the second halve of 2014

♦ Although Abenomics seems a manifest failure for a lot of observers, until now, no Abenomics 2.0 has been announced yet. We think it will come ultimately around September.

♦ The euro height, amid temporarily – in our vision – compressed yield spreads between euro PIGGS and the Bunds, have made Europe fear more and more for deflation, but it hasn't yet triggered the ECB bazooka. ECB action will come, at the latest in the second halve of 2014 we think.

♦ China's woos with its offshore shadow-bank-lending and its first failures in structured wealth products made copper and some other metal markets catch a cold fever and fears of low(er) growth in China have induced more deflation fears. In our vision, China will – due to its ample foreign reserves – manage to stabilize its growth at a level that is not deflating for some more years. China has already shown its willingness to use the Yuan valuation – if necessary – to help its growth. China's transition to a more consumer oriented growth should keep the China 'love' trade for gold at rising levels. (The 'love' trade alludes to rising gold consumption of jewelry by people that see their real income power rise and is thus independent from monetary policies such as QE.)

♦ The Indian elections have started on April the 7th. Opinion polls give Modi from the BJP party a winning lead. If Modi comes to power with the elections terminated on the 16th of May, this would give the Indian 'gold love' trade a boost of some 70 tons a month for the second halve of 2014. Modi is seen as more business friendly and a clear win to launch in 10-15 years' time a replication of the Chinese growth miracle in India. India's massive youth is the reason why it can go faster than the Chinese development, they did not have the one child family policy that China installed. In 3 to 5 years, India can become the buyer of the global gold mine production, buying some 200 ton of gold per month. But for now its physical gold consumption is reduced to only 25 ton per month by the actual IMF influenced government.

♦ Geo-political tensions will lead progressively to multiple military conflicts. We think the Ukrainian crisis will worsen in the second halve. The Chinese and Japanese militarization will increase in the second halve and bring the risk of an escalation of their animosity to a greater level. Arabic countries are still an accident waiting to happen.

♦ Social unrest and popular movements all over the world will become more evident. Income inequality, high youth unemployment, corruption and crony capitalism at all-time records will provide ample energy for these

movements to create more uncertainty and less free trade. Will this bring a last hurrah for the dollar and push the Dow Jones in a last blow-off top before deflation takes the whole developed world in its grip by 2016?
Western world tax hunts seem to have no limits. At some moment the "rich" will have enough of it and capital will go into hibernation. Stubborn central bankers seem to be incapable to understand that printing (QE etc.) in such a climate does not create real growth and wealth. The ample liquidity refuses to flow through the economy by lack of demand. Money velocity stalls and the hoarding of capital begins. This hoarding will include gold. This phenomenon is what we call the 'gold fear' trade. Fear trade in Europe based on governments collapsing under the weight of growing debt burdens, in relative international currency terms, aggravated by a too strong euro.*(1) More capital taxes will kill all residual economic revival hopes. Hoarding of gold happens as a means of protection against government voracity, so shows history. Japan will also see the fear trade explode when Abenomics 2.0 will again fail to deliver. The US seems to have a more waggle space. In our scenario, the gold fear trade will by the end of 2015 also take a giant leap in the US.

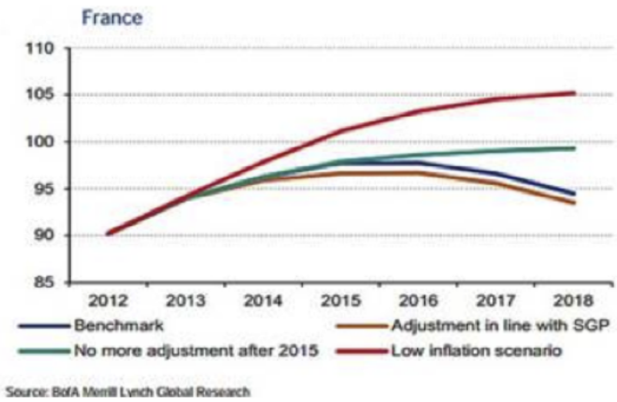
Conclusion, the financial crisis is not over. The trigger points for the fear trade are less and less beneath the water level. Until that moment the love trade helps to keep the gold price from falling below the $1000 threshold. The second halve of 2014 will be fascinating, and in our vision, convert the mainstream view, that precious metals will have begun a new race higher.

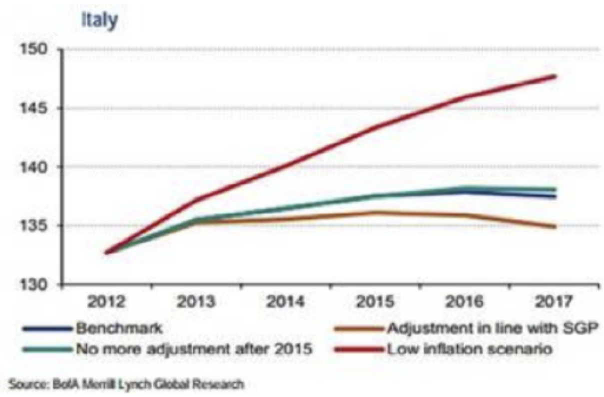
**(1) The low inflation in Europe (lowflation as the IMF coined it) is just aggravating the Euro countries' problems. Below are two graphs from Bank of America showing what just two years of lowflation can do to France and Italy.*

Low inflation is also seriously disrupting government debt trajectories. The analysis below from Bank of America Merrill Lynch shows how low inflation, near 0.5%, raises debt trajectories in France and Italy that would be a lot lower under a normal, 2%, inflation scenario.

As the charts show, persistent "lowflation" for several years could add another 10% to 15% to the public debt-to-GDP ratio in each country ... even if rates stay where they are today

And to make the problem still more explosive we ask the reader to think about this with debt-deflation in mind, clearly the survival fight for the euro is not over.
And remember with a rising euro those higher state debt levels will exert unbearable pressure on these euro-economies as these debt burdens will rise in real international terms ... How will the Eurozone sustain growing debt charges with lowflation, a high euro, high taxes if they have to pay a growing share of their marginal economic product to foreign holders of their growing debt as these foreigners profit from devaluing their currencies ? Remember the currency war.





On one's own account : We also discussed during the Webinar "Inside The Funds" from April 2th, 2014, inter alia, the evolution of the regulatory environment "AIFMD" (alternative investment manager directives), as well as the adaptation (+25 Bps) of the management fees of the underlying iW SIF Funds, with effect from 01.04.2014).

INVESTMENT FOR WEALTH

Performances and trading

iW Alternativ SIF – Low Risk
The fund has decreased by 5,1% in March, NAV 8963,49 EUR.

iW Alternativ SIF – Commodities
The fund has decreased by 12,4% in March, NAV 361,23 EUR.

iW Alternativ SIF – Real Value Growth
The fund has decreased by 5,5% in March, NAV 64,66 EUR (I), NAV 63,53 EUR (P)

Best regards,
The fund manager