Minutes of Advisory Board Meeting

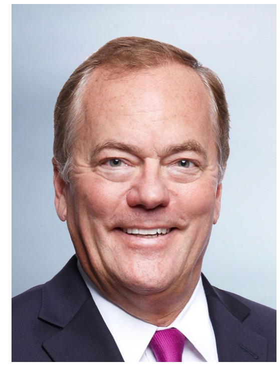
Incrementum Inflation Diversifier

January 30th, 2019

Monetary U-Turn - When Will the Fed Start Easing Again?

Highlights of the conversation:

Special Guest – Trey Reik:



- The Fed is hiding behind the focus on employment, but in reality they are worried about a wave of defaults.
- I do not believe the Fed will hike rates anymore in this cycle.
- I think Powell is showing himself to be a defiant Fed chairman.
- The strong dollar is reversing, which was the last impediment for gold.
- Institutional interest in gold is still non-existent.

Jim Rickards:

- The hiking cycle is on pause, but it's not over.
- The Fed is now using balance sheet normalization as a policy tool.
- The Fed is still tightening, even if interest rate hikes are on pause.
- The Fed needs to raise rates, and reduce the balance sheet, to prepare for the next recession.
- I believe gold is in a new bull market, which started in 2016.
- Financial warfare between countries is still alive and well.

Ronald Stöferle:

- Our Incrementum inflation signal just reversed, signalling rising inflation.
- The World Gold Council reports the biggest central bank gold buying in 50 years.
- We really like mid-tier gold producers.
- It seems like the gold-silver ratio is rolling over which suggests that silver could outperform gold from now on.

Mark Valek:

- We are highly critical whether or not the Fed will be successful with their monetary normalization.
- The Fed’s normalization is likely to not just prick one, but several of the asset bubbles.
- The normalization will be at risk as soon as either equities, real estate, or bonds fall significantly in value.

Biography of our Special Guest – Trey Reik:

Trey Reik has dedicated the past sixteen years to comprehensive analysis of publicly traded gold-mining companies, developing significant perspective on their intrinsic values under a wide range of market conditions. Additionally, Mr. Reik is a renowned commentator on gold markets and monetary policy, including policies and actions of global central banks, global conditions for money and credit, and factors affecting supply/ demand conditions for gold bullion.

Mr. Reik joined Sprott USA in March 2015 as lead portfolio manager of the Sprott Institutional Gold & Precious Metal Strategy. The Sprott Institutional strategy is composed of separately managed accounts and involves transparent investment in publicly-traded equities with no lock-up provisions of any kind. Sprott Institutional portfolios hold no illiquid or hard-to-value securities, no private placements and no derivatives or options of any sort.

For the six years prior to joining Sprott, Mr. Reik served as Managing Member of Bristol Investment Partners LLC, a registered investment advisor managing separate accounts composed exclusively of gold equities. Mr. Reik served as Chief Investment Officer and Portfolio Manager to all Bristol customer accounts. From January 2006 through November 2008, Mr. Reik served as Strategist to Apogee Gold Fund, LLC and Apogee International Gold Fund, Ltd. Before joining Apogee, Mr. Reik was Founder and Portfolio Manager of Clapboard Hill Partners, L.P., a long/short equity partnership focused primarily on precious metal equities and financials. Clapboard Hill Partners launched during February of 2002 and merged into Apogee Gold Fund during the first quarter of 2006.

Mr. Reik served as Senior Managing Director of Carret Securities, LLC (2000-2006) and held investment positions at Prudential Securities (1996-2000), Smith Barney, Inc. (1993-1996), William D. Witter, Inc. (1991-1993), Mitchell Hutchins Asset Management, Inc. (1984-1991), and Security Pacific National Bank (1982-1984).

Mr. Reik has 35 years of investment experience. Mr. Reik graduated from Pomona College in 1982 with a B.A. in Economics.

Transcript of the conversation:

Ronald Stöferle:
Gentlemen, it's a great pleasure having you on for this Q1 2019 advisory board discussion. The end of 2018 was quite a volatile ride, but the start of 2019 has been different with a broad recovery in all asset classes. Gold did very very well in December and in January; we are seeing gold roughly trading at $1,330 now. Today we would like to talk about gold mining stocks, monetary u-turns, and also about Jim's new financial warfare exercise. I'm really looking forward to the discussion.

Our special guest today is Trey Reik. Trey is a senior Portfolio Manager at Sprott. He has dedicated the past 16 years to comprehensive analysis of gold mining companies. Trey is also a very well know commentator on gold and macro topics. His monthly gold report is a must read for me and many other people in the gold industry and I'm very glad that **Sprott is a premium partner of our "In Gold We Trust" report.** Trey, many thanks for joining us today.

Trey Reik:
Thank you for having me.

Ronald Stöferle:
Before we start let's cover some housekeeping from our side. We are seeing quite an interesting development in markets; **our Incrementum inflation signal just reversed, signalling rising inflation.** Additionally, we are already working 24/7 on the upcoming **"In Gold We Trust Report", which will be published on the 27th of May.** We will also start publishing the report in Mandarin. We are also very close to publishing our new book "Die Nullzinsfalle", which translates to "The Zero Interest Rate Trap".

Moreover, we are very active on the fund side where we are working on 3 new funds, including one fantastic cooperation that we just finalized. So we are all looking forward to an exciting, busy and challenging 2019. Now let's jump into the discussion. Mark, please go ahead.

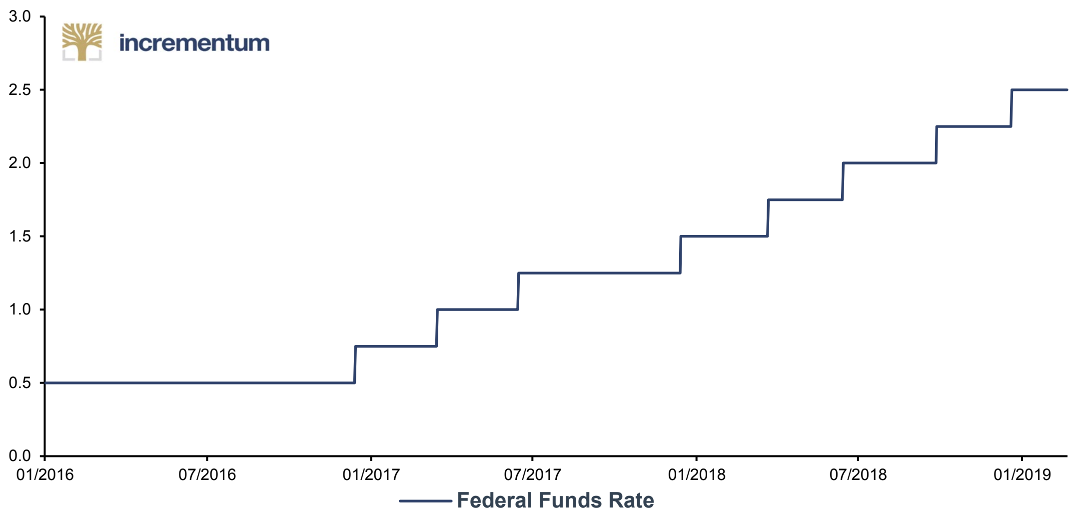
Mark Valek:
Thank you Ronni.

I'd like to ask Jim the first question; in the last "In Gold We Trust Report" we were highly critical whether or not the monetary normalization of the Fed would be able to succeed without pricking any of the asset bubbles. And we actually thought the normalization would be at risk as soon as either equities, real estate or bonds fall significantly in value. We specifically wrote: "we believe this monetary normalization plan is unlikely to survive a significant decline in even one, let alone several, asset classes (equities, bonds or real estate)".

Here we are three quarters later and after the first big equity market swing, the Fed yesterday in their FOMC meeting (30th of January) softened their hawkish stance significantly. Jim, the big question at this point is if the hiking cycle is over, and if so, when will the Fed officially end the normalization or even move back to asset purchases?

Jim Rickards:
I don't think the hiking cycle is over. Obviously it's on pause and it will remain on pause for the foreseeable future. There was no rate hike in January, and I don't expect a rate hike in March, which is also the market consensus. And I wouldn't necessarily expect them to raise in June, but the Fed is very data dependent so let's see how the next six months pan out.

Fed Funds Rate



Source: FRED, Incrementum AG

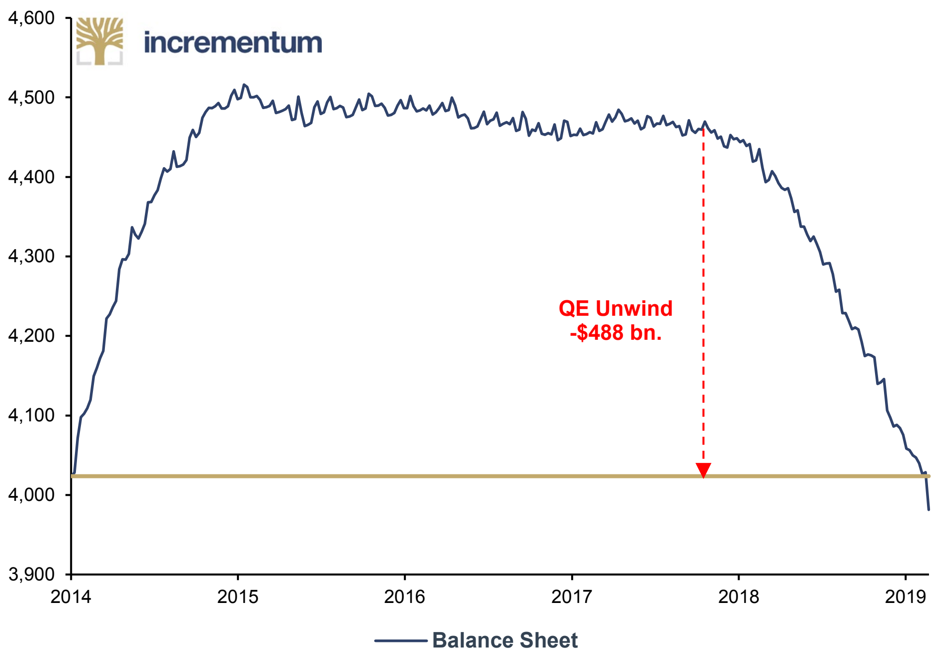
Having said that my big takeaway from the most recent Fed statement is that they are sticking to the balance sheet normalization. Their biggest concession was that they were going to be attentive to it and they may adjust it if they have to. That's a huge change from what Janet Yellen said when she announced it. Going back to the middle of 2017 when they started talking about balance sheet normalization they used the phrase "background", as if there was an application running in the background that people were not paying attention to. Her message was that they were going to do a balance sheet normalization and they would tell you the tempo and the security mix.

They were not going to use it as an instrument of policy. That was the key thing. It was not going to be used as an anti-inflation tool, and on the other hand it wasn't going to be used as an anti-disinflation tool. They were just going to let it run and then use interest rate hikes and pauses as and when needed to normalize interest rates. But they were going to leave the balance sheet alone.

Jay Powell has thrown that overboard. **He has made it clear that they will use balance sheet normalization, and the decision to roll over, or to not roll over, maturing securities, as an instrument of policy.** That's a big deal, however they didn't actually say they were going to change the tempo. **It's important for investors and analysts to realize that they are still tightening, even if they are on pause**. The current situation is unprecedented; usually in open market operations you increase or decrease the base money supply or use security purchases/sales to target the interest rate. But that all happens on the short end of the curve.

Currently they are taking their balance sheet from $4.5 trillion to an estimated $2-$2.5 trillion. **They are basically removing $2-$2.5 trillion dollars of base money; that has never happened before. This is a grand science experience.**

Federal Reserve Total Assets, Weekly



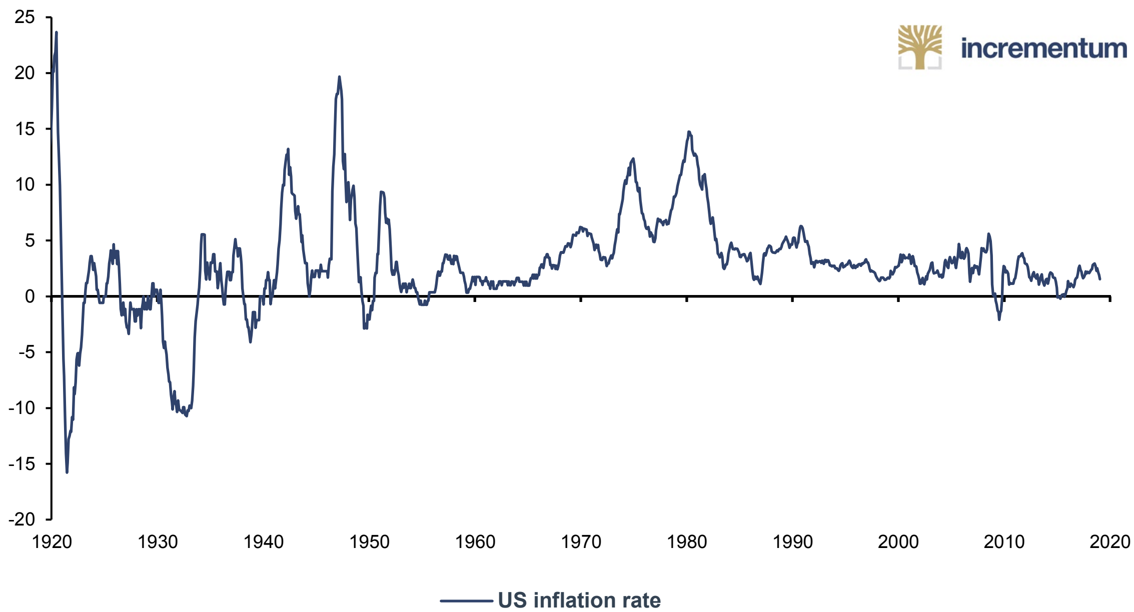
Source: FRED, Incrementum AG

The best estimate is that this will have the same impact as a 1% interest rate hike per year. In other words, in addition to the baseline tempo of 25 basis points four times per year, add on another 25 basis points at the same tempo (as a result of the balance sheet normalization).

Therefore, the Fed is still tightening, but they are not tightening as much as before. And the stock market is reacting positively; there's a lot of momentum in the stock market. A lot of the trading is algorithmic, at least in the US, but probably around the world too.

What's different this time is that the Fed is tightening into weakness. To give some background, we haven't actually had deflation since the early 1950s. We had a deflation scare around the year 2000, as well as in 2008, but we haven't had actual deflation for 60+ years. What we have had is long inflationary trends, which are followed by disinflationary trends. The important point is that these are long-term trends. And the Fed lagged these business cycles; when inflation picked up they would raise rates incrementally. But then they would tighten one time too many, and we would go into a recession, and then they would ease again. The cycles would follow the same patterns.

U.S. Inflation Rate – past 100 years



Source: FRED, Incrementum AG

But that is not what's happening now. The economy is weak, but the Fed is still tightening. They want to raise rates anyway because they have to undo the craziness of Ben Bernanke; the $4.5 trillion balance sheet and zero rates for 7 years (2008-2015). **They've got to undo that in order to prepare for the next recession.** That entails getting rates to about 4% in order to lower them in the next recession, and getting the balance sheet back to $2.5 trillion. The reason you want the balance sheet at that level is because if we get to the next recession and they haven't been able to raise rates enough (to then lower them again) you have to start QE again.

The number one question is why on earth is the Fed tightening through the balance sheet, or through interest rates, when the economy is so weak. The answer is that they are doing it to prepare for a recession. And the risk is that they cause a recession in the process.

Jay Powell realized in December that risk was staring him in the face. Growth was slowing down dramatically and they therefore wanted to pause on rates, while they are continuing to normalize the balance sheet.

Incrementum's inflation signal is correct, but I wouldn't expect inflation for 3-4 years. I wouldn't expect 10 year notes to go to 4%. I would not expect gold prices to go to the moon on this vector.

What I would expect is another rally, for example this summer gold might be close to $1,400, the Dow Jones will be back up at 26,000-27,000, and job creation will continue to be strong. And the Fed will think we are out of the danger zone, and they will start raising rates again. It's a short term pendulum; it lasts for 6-7 months.

I'll give you another example. Yellen raised rates in December 2015, and we had a very tough time in the economy in 2016. Stocks fell 11% from January 1st 2016 to February 10th 2016. The Fed responded by lowering the dollar (Shanghai accord), but in terms of interest rate policy they did not raise rates in March, June, or September. They wanted to, but they couldn't. They said in December 2015 that they were probably going to raise rates next year, but they didn't because stocks fell out of bed in the beginning of 2016.

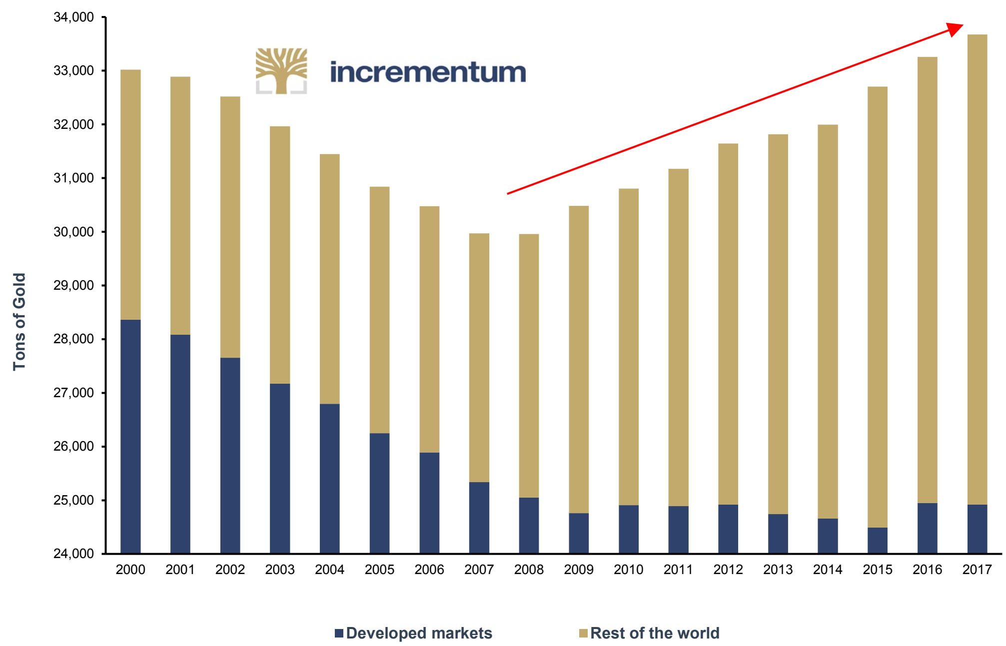
But in December 2016 they raised rates; they felt they were out of the woods. The stock market had had enough breathing room and the losses in the beginning of 2016 had been made up during the rest of the year. The Fed consequently raised rates 3 times in 2017. Therefore, the minute the Fed thinks the economy is out of the woods in terms of recession, they will go right back to raising rates.

My forecast is no rate hike in March, and probably no rate hike in June, but if stocks rally, which I expect, and gold rallies, which I expect, and job growth continues to be ok, they'll raise again in September.

Ronald Stöferle:
Thanks Jim, that was a great overview. Trey, it's hard to follow up from Jim. It's a bit like doing a show after the Rolling Stones or AC/DC, but I want to hand it over to you. Perhaps we can have your view on gold, tied to the macro picture?

Gold just hit an 8 month high. I think it did pretty well in every currency last year. In euro terms it was up 3%. In AUD terms it was up 9%. And since the beginning of 2019 it's up against every currency. It seems like the media and institutional players are paying attention to gold again. **We have just seen the new publication from the World Gold Council and we have seen the biggest central bank buying in 50 years**; they bought 650 tonnes, mostly Russia, Turkey, and Kazakhstan. **We have seen very slow ETF demand, it was roughly 70 tonnes.** And China continues to be the major driver of demand with demand of more than 300 tonnes of physical gold.

Central Bank Gold Reserves, Developed Markets vs. Rest of the World



Source: World Gold Council, Incrementum AG

Trey, you have written quite extensively about gold in the last couple of years. Your last piece was called "[Catalyst for Gold Locked and Loaded?]". What's your outlook on gold currently and what's your interpretation of Fed policy?

Trey Reik:
Firstly, it's important to point out that I have been reading Jim's stuff for 15 years and I'm sure he's read a little bit of mine. I think our views probably overlap 80%.

For the last 16 out of 18 years gold has posted a positive performance in the average of the world's nine leading fiat currencies. There were a few troublesome years where it was down in dollar terms. This ruins the statistic in the dollar column, but for all fiat currencies the performance over the last 18 years has been mostly positive.

Gold Price Performance: % Annual Change (as of March 4th)

	EUR	USD	GBP	AUD	CAD	CNY	JPY	CHF	INR	Average
2001	8.1%	2.5%	5.4%	11.3%	8.8%	2.5%	17.4%	5.0%	5.8%	7.4%
2002	5.9%	24.7%	12.7%	13.5%	23.7%	24.8%	13.0%	3.9%	24.0%	16.2%
2003	-0.5%	19.6%	7.9%	-10.5%	-2.2%	19.5%	7.9%	7.0%	13.5%	6.9%
2004	-2.7%	5.3%	-2.3%	1.8%	-1.9%	5.3%	0.7%	-3.4%	0.6%	0.5%
2005	36.8%	20.0%	33.0%	28.9%	15.4%	17.0%	37.6%	37.8%	24.2%	26.1%
2006	10.6%	23.0%	8.1%	13.7%	23.0%	19.1%	24.3%	14.1%	20.9%	17.2%
2007	18.4%	30.9%	29.2%	18.3%	12.1%	22.3%	22.9%	21.7%	16.5%	21.7%
2008	10.5%	5.6%	43.2%	31.3%	30.1%	-2.4%	-14.4%	-0.1%	28.8%	15.5%
2009	20.7%	23.4%	12.7%	-3.0%	5.9%	23.6%	26.8%	20.1%	19.3%	16.5%
2010	38.8%	29.5%	34.3%	13.5%	22.3%	24.9%	13.0%	16.7%	23.7%	25.2%
2011	14.2%	10.1%	10.5%	10.2%	13.5%	5.9%	4.5%	11.2%	31.1%	11.2%
2012	4.9%	7.0%	2.2%	5.4%	4.3%	6.2%	20.7%	4.2%	10.3%	7.5%
2013	-31.2%	-28.3%	-29.4%	-16.2%	-23.0%	-30.2%	-12.8%	-30.1%	-18.7%	-24.1%
2014	12.1%	-1.5%	5.0%	7.7%	7.9%	1.2%	12.3%	9.9%	0.8%	6.2%
2015	-0.3%	-10.4%	-5.2%	0.4%	7.5%	-6.2%	-10.1%	-9.9%	-5.9%	-3.8%
2016	12.4%	9.1%	30.2%	10.5%	5.9%	16.8%	5.8%	10.8%	11.9%	12.3%
2017	-1.0%	13.6%	3.2%	4.6%	6.0%	6.4%	8.9%	8.1%	6.4%	6.3%
2018	2.7%	-2.1%	3.8%	8.5%	6.3%	3.5%	-4.7%	-1.2%	6.6%	2.6%
2019 ytd	3.4%	1.4%	-2.1%	1.0%	-1.3%	-1.1%	3.5%	3.2%	3.3%	1.3%
Average	8.6%	9.7%	10.7%	7.9%	8.6%	8.4%	9.3%	6.8%	11.7%	9.1%

Source: goldprice.org, Incrementum AG

I think the performance of the gold price has been based on the long standing development that claims on future output are now wildly out of sync with the productive capacity of underlying output. This view is different than that a lot of our colleagues, who believe it's based on gold's ability to hedge against potential disasters.

In terms of the Fed, I think everything Jim said is accurate. However, now that we are up to $72 trillion of credit in the US economy, which has a GDP of $20 trillion, the future debt claims are so out of sync with the underlying productive output that I don't think a lot of the cycle analysis of the past applies much anymore. **It's all about credit stress and outstanding debt. In my mind the Fed is hiding behind the focus on employment, but in reality they are worried about a wave of defaults or rationalization of debt.** Lately they have been talking about "sustaining the expansion".

In summary, **I do not believe the Fed will hike rates any more in this cycle**. I originally predicted they would alter the pace of the balance sheet reduction before they would stop hiking rates. I was wrong on that, but I think the Fed has caught up pretty quickly with the fact that its balance sheet reduction has been putting undue pressure on global dollar liquidity.

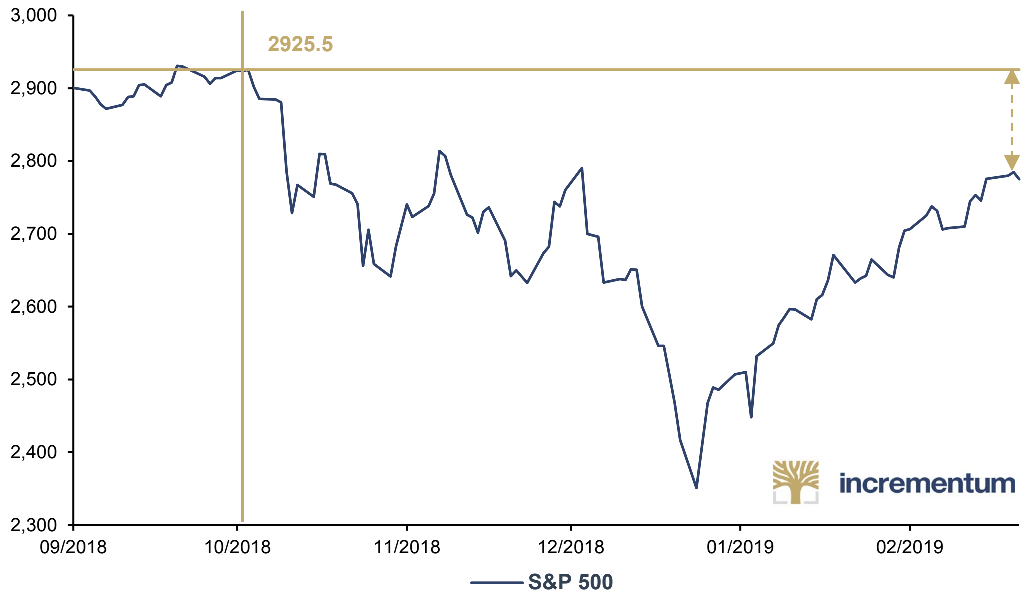
A thing I want to highlight is that the people working in the Fed are not smarter or more talented than the rest of us, and therefore the assumption that they are more capable than free markets of setting the price for the world's reserve currency is a fairly ridiculous notion. **And I think Powell is establishing himself as a non-forthright chairman**. For example, in May there was an IMF conference held at the Swiss central bank and Powell was talking about what the impact of U.S. monetary policy is on other economies around the world, and he said it was overrated, which I found to be an incredible statement from a Fed chairman. He pointed out that emerging markets had plenty of opportunity to prepare themselves. I believe he was referring to easing of dollar pegs around the world and the growth of foreign exchange reserves. What he neglected to point out is that the debt outstanding has gone up 10 fold. So even those academic type improvements in the ability to withstand changes in U.S. monetary policy is way overshadowed by the debt that is extant. The BIS estimates are about $11.5 trillion in dollar-denominated overseas obligations. So the fact that the Fed might pretend that increasing interest rates would not have an impact on those outstanding debt levels is pretty disingenuous.

I have always thought that Powell's plain spoken demeanour is more a sign of defiance; he was never in favor of QE3, and his quotes from those meetings in 2013 were very negative towards the idea of further QE. He ended up voting for it because he was a freshman and that's what freshmen do on the Fed board.

But most recently I think he changed the whole world with one off handed comment, which was *"a long way from neutral"*, which he made to the PBS reporter in an off-handed way. He had been building this confidence in being defiant about the fact that the U.S. economy was doing well. I want to give one vignette that I frequently remember: when you become Fed chair you get Secret Service protection, and that's just one example of how your life changes. You have two secret service guys following you around 24 hours a day. That can start to go to your head. I remember I bumped into Greenspan once in the bathroom at the New York Hilton after one of his speeches, and because he was such an important figure in my life I asked for his autograph, and the two secret service guys that were in the bathroom interjected and would not let him touch my pen.

I think that when Powell said, very recklessly, that we are a long way from neutral on October 3rd 2018 the whole world changed; the S&P was down almost 20% between that day and Christmas Eve. And then on Christmas Eve Treasury Secretary Mnuchin called a meeting of the President's Working Group, and if you look back since that meeting two things have changed: stocks have gone more or less straight up, but more importantly behind the scenes the U.S. dollar values of the four central bank balance sheets (Fed, ECB, Bank of Japan, and PBOC) have rocketed up by $428 billion. Since about March last year, until December, the U.S. dollar value of those central bank balance sheets had declined $1.2 trillion, but in the past three weeks it's up $428 billion. A lot of that is exchange rate moves.

S&P Price – October 6th to Present

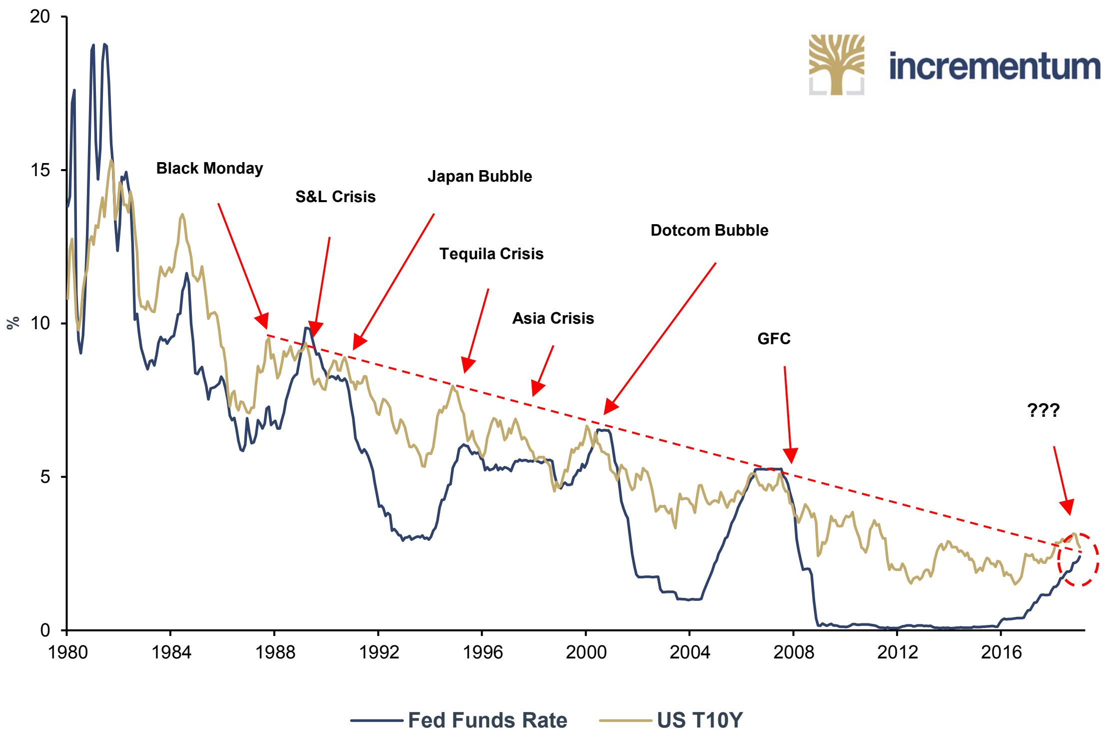


Source: FRED, Incrementum AG

I think the Fed is quickly admitting that the December rate hike was a mistake. With respect to the balance sheet, at the December FOMC press conference Powell was fairly defiant and said balance sheet normalization was on autopilot and not subject to discussion. And within about 10 days he was reading pre-written statements adjusting his position on the balance sheet. I think the Fed has taken enormous heat for Powell's comments, and I think that after Powell's defiant performance three of the rotating Fed presidents, and later four, with votes on the FOMC this year, were all-out saying the opposite of what Powell had said, i.e. that they were done with rate hikes.

I think the last thing to think about is that there is a perception in the market that a Fed pause in interest rate increases is somehow positive. Our friend Dave Rosenberg has pointed out over and over again that the last three times that we've had a pause like this we were in a recession pretty quickly. **But what I am more concerned about is that if you look at the last four pauses (1990, 1995, 2001, and 2004-2006) the Fed was cutting rates again after respectively 2 months, 3 months, 6 months and 13 months. I therefore think this pause suggests that their next move will be a cut.**

Fed Funds Rate vs. 10 Year Treasury



Source: Grant Williams, FRED, Incrementum AG

With respect to gold I have been saying for a year or so that the last remaining impediment was public perception of the ever-present strong dollar, which was buoyed by the Fed's rate increases. I think it's all reversing now. And once the consensus starts to accept that perhaps the Fed rate hikes are done, and the balance sheet reduction is likely to be curtailed, I think gold should have a pretty good move.

My other view on gold is that everything between $1,200 and $1,360 is kind of a big rounding error. And as reckless as that may sound I really don't see much difference between those two numbers. It's almost a waste of time to think that you can predict which gold stocks will do well with every 50 dollar move in the gold price. Once we get through $1,360 I think it's going to be off to the races for gold shares, and it will bring the generalists back to the sector.

Jim Rickards:
What Trey said about the last four times the Fed hiked rates, and subsequently having to cut rates shortly after, is consistent with my analysis, i.e. the Fed would hike, hike, hike, but then realize they had hiked too much and then the next move would be a cut.

But I don't believe we are in such a cycle this time; there is something else going on. The entire world was ready for the lift-off in September 2015, but then the Fed didn't raise rates. And then they hiked in December 2015. But then they paused again, and the next time they hiked was in

September 2016. And then after that they hiked a number of times, but then they have paused again now.

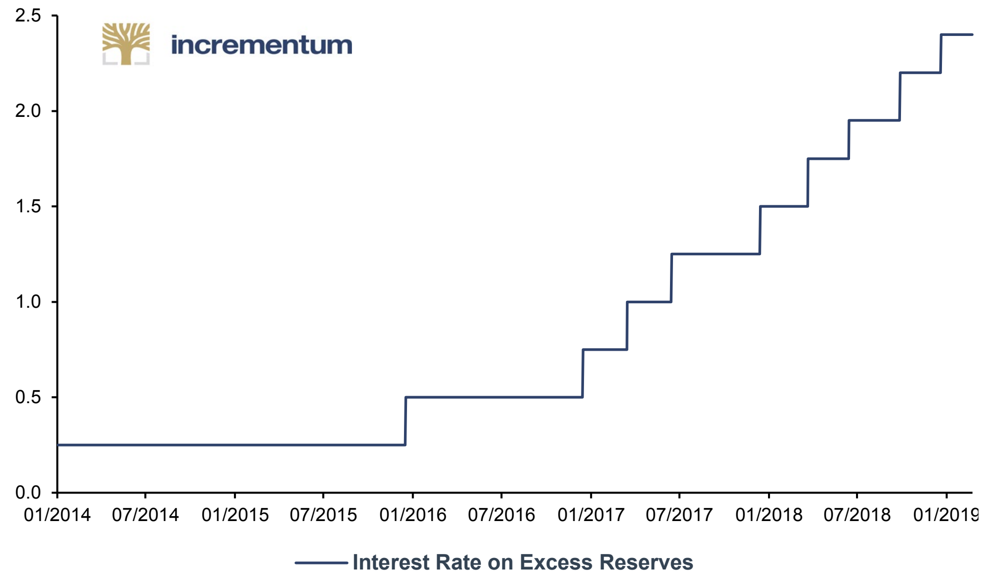
My point is that the recent pauses have been followed by a rate hike. They paused because they were afraid of causing a recession, but then they continued again when the fears abated. **A pause these days doesn't mean they have stopped raising rates, it just means they have paused because they are afraid of causing a recession.** However, if the economy went into a recession, they would cut, but we are not there yet. The Fed has enormous scope to slow the reduction in the balance sheet normalization before they even cut rates. Currently the balance sheet reduction is $50 billion per month; they can cut that to zero. I therefore don't believe a pause means that the next move is a rate hike.

Trey Reik:
Just a final note from my side; what I find interesting is that people think we can raise rates after we have not been able to raise rates for 38 years. Every time we've had a back-up on the 10-year yield, we've had a crisis almost immediately. On the short end I think the Fed has made a serious misestimation in terms of the dollar value of global money supply. I think the Fed is already way too tight and they are starting to recognize it. I think the difference between Jim's view, and mine, is that I believe the Fed are realizing that normalizing to a 4% level is not possible in our current system.

Jim Rickards:
If you're correct, then gold is going to go to $1,500 very quickly. Gold is doing well right now, it's going up and is currently in an upwards trading range that goes back to around June 2016 and Brexit. **I believe there was a bull market from 1999-2011, and then a bear market from 2011-2015. And now we are currently in a new bull market that started in 2016.**

Trey Reik:
I think there is one piece of evidence suggesting that the Fed is realizing the deleterious effect that the balance sheet normalization is having, which is that the June and December FOMC rate hikes were accompanied by a smaller hike in that IOER excess reserve interest rate paid. I believe this is evidence that the Fed is concerned that their balance sheet reduction is causing an unacceptable reduction in liquidity and competition for reserves. We will have to keep an eye on that.

Interest Rate on Excess Reserves (IOER)



Source: FRED, Incrementum AG

Jim Rickards:
I agree completely that the Fed has tightened too fast. I also agree they have come to that realization. Where we seem to disagree, and I don't want to put words in your mouth, is that you believe that they have made their last hike, and it's only a matter of time before they cut.

Source: zerohedge.com

What I believe is that they will raise rates later this year. It will be interesting to see what happens. But I also agree with you that there are other things driving gold, other than rate hikes/pauses/cuts. It's a big driver, but not the only one. **When I saw the 20 tonnes of Venezuelan gold being packed on to a Russian jet it told me all I needed to know. So the good old supply and demand drivers are affecting gold, it's not just interest rates.**

The other thing I would mention is that you have to focus on nominal rates if we are talking about debt to GDP. If you owe a dollar, you owe a dollar, it doesn't matter what it's worth in real terms, you still have to pay back one dollar. Real rates are still going up. If you hold nominal rates constant and you get disinflation, the real rate is going up. The Fed has realized their mistake and has paused, but they are waiting for the next opportunity to tighten.

Mark Valek:
Thank you for the interesting discussion. **Jim, it seems like your argument is that in this new environment the Fed is able to manage monetary policy by changing the second derivative of monetary policy, i.e. changing the momentum.** Is that correct?

Jim Rickards:
That's right, pause is the new ease.

Mark Valek:
Jim, you recently tweeted that you were inside the New York Fed and you have also been participating in new financial warfare exercises. Could you share some of your experiences with regards to this?

Jim Rickards:
I have to tread lightly; I can't mention specific names or scenarios, but I can speak in broad terms. I have participated in these before, the first one being in 2009. The other games focused on geopolitical events as well, e.g. what would happen to oil prices if the Strait of Hormuz was closed. But this time it was a pure financial war game, meaning the only weapons allowed were financial or economic. You could shut banks, you could shut exchanges, you could hack payment systems etc. But I think a better description would be a cyber-economic war game, instead of a financial war game, because there are many ways to electronically interfere with an economy that are not strictly limited to capital markets.

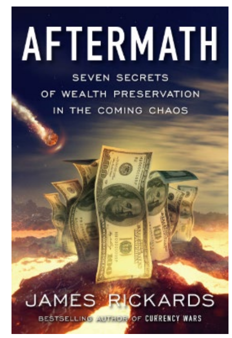
Jim Rickards inside the New York Fed

I was encouraged to see that after the first financial war game in 2009 they are still being pursued in 2019, which means this type of warfare is still considered a threat. **Recently seeing the Venezuelan gold being packed on a Russian jet tells me financial warfare is alive and well.**

From an investor's perspective my takeaway is that if the smartest people in the U.S. government is attracting Wall Street talent, academic talent, and intelligence community talent, it tells you that this is high on the threat list. **As an investor you are naive if you think these sort of disruptions can't happen; these types of attacks are plausible.** And a good insurance policy is to own hard assets, e.g. gold or land.

Ronald Stöferle:
Thanks a lot, Jim. There will probably be a lot of material for a new book. Are you publishing anything soon?

Jim Rickards:
I've actually been working on a new book, and it's taken almost two years to finish. I rewrote large sections towards the end of last year because I wanted it to be technical, but still written in plain English. I didn't want to write an economics textbook. The publication date is July 23rd and it's available to pre-order on Amazon. We're currently putting together the global book tour. I will do quite a lot of publicity in the U.S., and also in London, Paris, Australia, and South Africa. And I am in fact coming to Austria as well.



Source: amazon.com

Ronald Stöferle:
That's excellent, we will definitely have to meet up then.

One final question: **Jim, you tweeted yesterday that a lot of Janet Yellen's net worth is tied up in her stamp collection, and that you believe Jay Powell's is tied up in gold. I loved that.**

Trey, we have seen increasing interest in the gold mining space and I think the two big mergers of Randgold and Barrick, and Newmont and Goldcorp, might signal a bottom since such mergers usually happen when the market bottoms.

What is your analysis of the mining space? **We really like the mid-tier segment, and it seems like the gold-silver ratio is rolling over and silver is outperforming gold.** We are taking a close look at the silver mining space, which is probably even more contrarian than the gold mining space at the moment.

Trey Reik:
Unfortunately, the reality is that institutional interest in gold equities on a scale of 1 to 100 is probably still around 2.5-5. It's pretty non-existent. It's been that way for many many years, and I think it's getting worse and worse. And I think institutional generalists are more comforted by the fact that they *don't* have a gold allocation because of the ongoing performance of the sector.

But if we go back to 2016, between 1st of January and 11th of August, gold was up 28% and silver was up 42%. GDX was up 125% and GDXJ was up 185%.

GDX and GDXJ Share Prices 1st January 2016 to 31st August 2016

Source: yahoofinance.com

But there was still no interest in the sector from the institutional side. In the summer of 2016 my wife told me that I seemed a little moody, and she asked why I was not in a better mood since gold stocks were going up, and my response was that they were going up too fast. I told her that it's not good for us because we are not getting any inflows. People can't react that fast and now it's happened so quickly that we are unlikely to see any interest in the sector. She told me that it's interesting that when gold stocks go down it's bad for us, and when gold stocks go up it's bad for us, and she suggested I should maybe reconsider my career choice.

That's a similar situation to where we are now in the sense that institutional disinterest with respect to gold stocks has been constantly rewarded over the years. The upward divergence of the S&P from gold equities, which really started in September 2012 with open ended QE, was starting to close a few years back, but then it was short circuited in 2016 with the Trump election.

In terms of specific miners, I was just in Whistler at the CIBC confab and met with 12 companies that I consider to be in the upper echelon in quality and market cap (Agnico Eagle, Pan American Silver etc.) and the majority of high quality gold companies in our portfolio are performing quite well at current gold prices.

With respect to your comments earlier about mergers we are doing a joint venture with John Hathaway, which is called the Sprott Hathaway Special Situations Trust, which we are launching this month. We have been spending a lot of time with John and his team and we've had an internal list of M&A candidates, and Barrick was not on it. And Goldcorp was not on it either, if I recall correctly.

With respect to the Barrick/Randgold merger, I have always been a big Randgold fan. Mark Bristow and Randgold were very good in terms of corporate governance and management. I think Barrick was on the opposite end of the spectrum and I was a bit surprised originally. But the benefit I see of the transaction is that Mark Bristow will turn this enormous pile of EBITDA into free cash flow; that's his special talent. More importantly it removes from the top of the cap weighted gold equity indices this large "cloud" that has a negative survivorship bias. Gold mining is one of the only industries in the world with negative survivorship bias; you want to avoid the larger companies because they have trouble replacing reserves. You really want to avoid that top group. I think it should be good for the gold sector to get that 12%-16% weighting of Barrick in these cap weighted gold indices, but it will be bad for us because it's going to make it more difficult to beat the group going forward. Having Barrick, Newmont, and Anglo at the top was always something that made it a bit easier for the investors focusing on the mid-tier producers to outperform the index because those companies were buyout targets.

In conclusion we are positive to the financial performance of the high quality gold miners. If the gold price goes above $1,360 there's not a lot of resistance for it to go to $1,500. I think doubles and triples are in the cards for the gold miners, and the part of the market we are looking at is just below those top tier companies, e.g. emerging producers and multi-asset intermediate producers, because we believe that is where the leverage is.

Ronald Stöferle:
High quality miners used to be an oxymoron, but it seems that during the bear market many companies made necessary changes and are stronger now. And I therefore believe the leverage to the gold price is higher than ever. And I think a topic that is under-reported is the change due to technology and innovation; there's a big and positive change happening.

Gentlemen, I think we will end it there. I enjoyed it very much, and I hope you enjoyed it too. Thank you for joining us.

Appendix: Permanent Members of our Advisory Board

Zac Bharucha

Zac began his career in finance at the investment bank Kleinwort Benson and later became an equity portfolio manager at Philipps and Drew Fund Management. He then moved to AMP Asset Management where he was responsible for managing more than GBP 1bn of institutional assets. Afterwards, he moved to M&G in London. Since 1998, he has developed absolute return strategies and specialized in equities and commodities. After 25 years in asset management, he retired from professional life in 2011 and wrote his first book about market timing.

Heinz Blasnik

Heinz is an independent trader and market analyst for the consulting firm Hedgefund Consultants Ltd, as well as an author on Austrian economic theory for the independent research house Asianomics in Hong Kong. Heinz also publishes the blog www.acting-man.com, on which he analyses developments in the financial markets and the economy from an Austrian School perspective.

James G. Rickards

Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the West Shore Fund. During his career, Jim has held senior positions at Citibank, Long Term Capital Management and Caxton Associates.

Dr. Frank Shostak

Frank is chief economist at AAS Economics. He has over 35 years of experience as a market economist and central bank analyst. He holds a PhD, MA and BA honours from South African universities. He was professor of economics at the Witwatersrand University in Johannesburg.

He is one of the world leaders in applied Austrian School of Economics and an adjunct scholar at the Mises Institute in the US.

Rahim Taghizadegan

Rahim is the founder and director of the institute for value based economics, an independent research institute in economical and philosophical issues in Vienna. He is bestselling author and a popular speaker internationally. Rahim studied Physics, Economics and Sociology in Vienna and Lausanne. He has worked in the fields of economics, space research and journalism. He has also taught at the University of Liechtenstein, the Vienna University of Economics and Business Administration and the Universität Halle an der Saale.

Ronald-Peter Stöferle, CMT

Ronni is partner of Incrementum AG and responsible for Research and Portfolio Management.

He studied Business Administration and Finance in the USA and at the Vienna University of Economics and Business Administration, and also gained work experience at the trading desk of a bank during his studies. Upon graduation, he joined the Research department of Erste Group, where he published his first “In Gold We Trust” report in 2007. Over the years, the Gold Report became one of the benchmark publications on gold, money, and inflation.

Since 2013 he has held the position as reader at scholarium in Vienna, and he also speaks at Wiener Börse Akademie (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book “Austrian School for Investors” and in 2018 “Die Nullzinsfalle” (The Zero Interest Rate Trap). Moreover, he is an advisor for Tudor Gold Corp. (TUD), a significant explorer in British Columbia’s Golden Triangle.

Mark J. Valek, CAIA

Mark is partner of Incrementum AG and responsible for Portfolio Management and Research.

While working full time, Mark studied Business Administration at the Vienna University of Business Administration and has continuously worked in financial markets and asset management since 1999. Prior to the establishment of Incrementum AG, he was with Raiffeisen Capital Management for ten years, most recently as fund manager in the area of inflation protection and alternative investments. He gained entrepreneurial experience as co-founder of Philoro Edelmetalle GmbH.

Since 2013 he has held the position as reader at scholarium in Vienna, and he also speaks at Wiener Börse Akademie (i.e. the Vienna Stock Exchange Academy). In 2014, he co-authored the book “Austrian School for Investors” and in 2018 “Die Nullzinsfalle” (The Zero Interest Rate Trap).

About Incrementum AG

Incrementum AG is an independent investment and asset management company based in Liechtenstein. Independence and self-reliance are the cornerstones of our philosophy, which is why the four managing partners own 100% of the company. Prior to setting up Incrementum, we all worked in the investment and finance industry for years in places like Frankfurt, Madrid, Toronto, Geneva, Zurich, and Vienna.

We are very concerned about the economic developments in recent years, especially with respect to the global rise in debt and extreme monetary measures taken by central banks. We are reluctant to believe that the basis of today's economy, i.e. the uncovered credit money system, is sustainable. This means that particularly when it comes to investments, acting parties should look beyond the horizon of the current monetary system.

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