The Real Reasons *to own* Gold

TABLE OF CONTENTS

Why Own Gold

The reasons to own gold actually are simple. While some may imbue gold with irrationally large superhuman attributes, the reality is that gold actually can do a lot for people who own it – more than most other forms of investments or assets can and do provide.

Gold is a very good portfolio and wealth diversifier. It can protect its owners from losing wealth to market vagaries, meaning it has historically been a means for **capital preservation**. It also offers its owners excellent potential to generate additional wealth through **capital appreciation.**

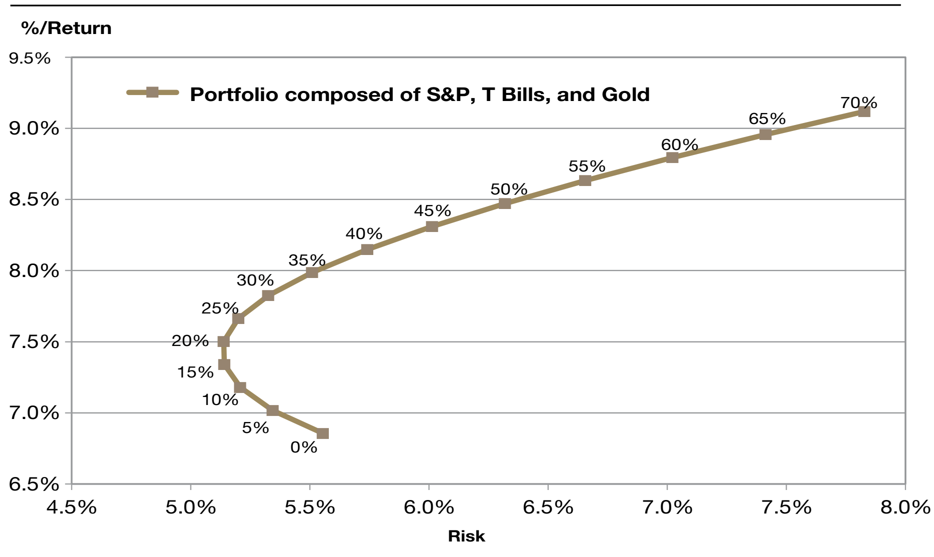
Some people will say that gold is not an investment, meaning that it is, in their views, a form of money. In this way, one might think of gold as the denominator of one's wealth. Others see gold as an investment, the numerator in one's calculations of worth. Both are correct.

Gold makes sense in and of itself, and as part of a diversified portfolio of stocks, bonds, precious metals, real estate, and other assets.

Chart 1 shows the optimal role gold can play in diversified portfolios as judged by the effects on a portfolio (a subset of one's wealth) of stocks and bonds if gold was added since April 1968.

In this model, the hypothetical portfolio starts with 50% invested in the S&P 500 index of stocks and 90-day Treasury Bills. The returns and risk (volatility of one's wealth, or the value of the portfolio) are calculated on a rolling basis, so there is no bias for choosing start and stop dates. Gold is added in 5% increments. As gold is added it initially reduces the volatility of the value of the portfolio – the risks of holding stocks and bonds. It does so while increasing the returns. Lower risk, and higher returns. This continues until about 20% of the portfolio is held in gold. At that point the risk or portfolio value volatility begins to rise, but the increase in volatility still is less than the increased return. This holds true all the way up to the 70% gold content used in these calculations.

Efficient Frontier of Portfolio with Gold - 1968 - 2020 **Chart 1**



The optimal space appears to be around 25% - 30% of the portfolio being held in gold.

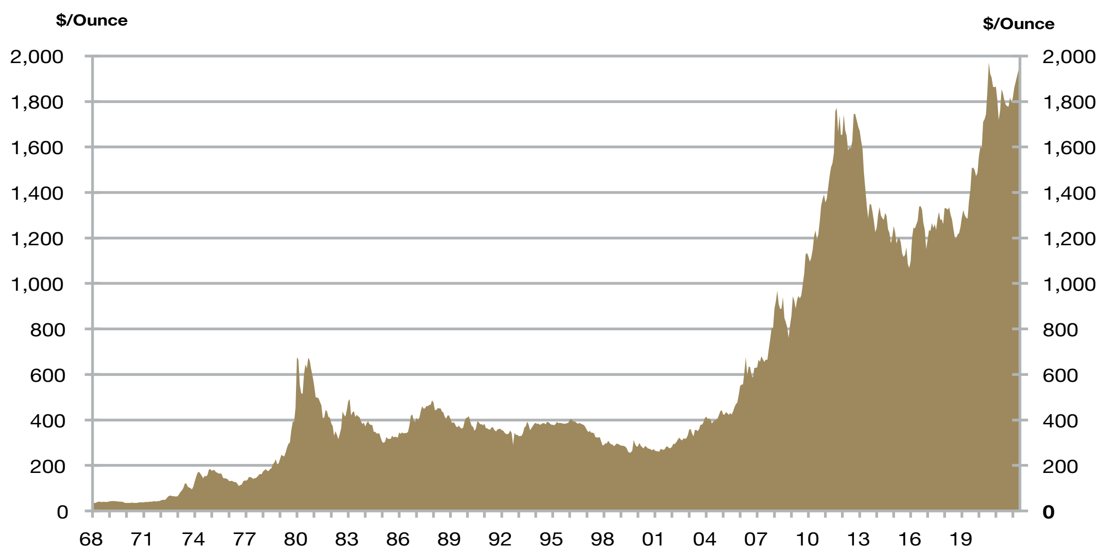
A few points need to be made. These are the calculated, hypothetical risk and reward based on historical data from 1968 through 2020. It is a mechanical portfolio, with no discretionary buying and selling, modifying the mix as market and economic conditions varied over this 53-year period. ***It is holding physical gold bullion.***

Past performance is not a guarantee of future performance, of course, but the results are very compelling to CPM. Later in this report you will read about the increases in value of gold versus stocks in nominal and inflation-adjusted terms since 1968. There also will be a discussion and some historical hypothetical data highlighting how gold's performance could have been enhanced with only modest buying and selling to adjust for changes in the underlying economic and political environment, and changes in gold's fundamentals and price.

One more chart helps to highlight the value of gold. **Chart 2** shows the monthly average gold price since gold prices were freed to float in 1968. The value of gold speaks for itself.

Long Term Gold Prices **Chart 2**

Monthly Average Through June 2022,



Toward the end of this report we will discuss the real, inflation-adjusted price of gold since 1968, and since 1700. We will do this in the section where we seek to disabuse readers of believing that gold is a 'perfect' hedge against inflation and that gold's purchasing power has remained constant throughout history. That is a myth, albeit a persistent one.

Gold can be a good hedge against inflation, but not point-for-point. This has been true in the 54 years since gold prices were liberated from being tied to the dollar (and the British pound sterling and French franc before that). It also has been true over the past 322 years since 1700, since before the United States was created. Going back even further in time it still remains true, but going back to 1700 ought to be good enough for most people.

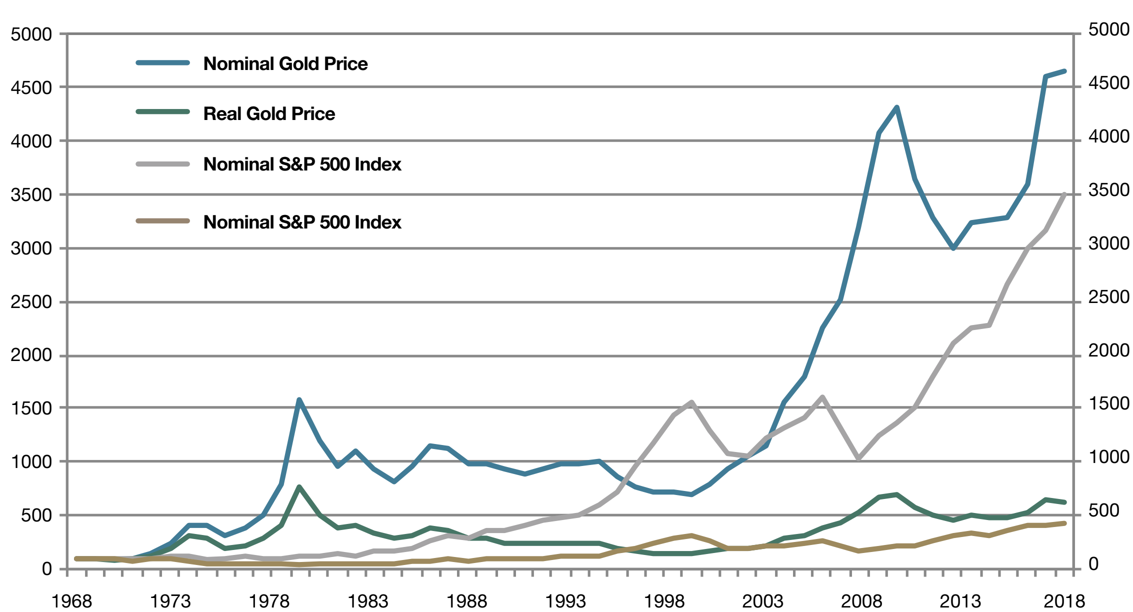
To be accurate, for much of this time nominal gold prices were fixed against various currencies, so the real price continually deteriorated, for this and other reasons including the massive influx of gold and silver from the New World. In 1717 Sir Isaac Newton was master of the Royal Mint in the United Kingdom and fixed the official prices of gold and silver. England and the world were on various fixed-price gold standards for much of the time from then until 1971, going off of such currency systems during times of war, depression, and other problems.

So, while this report makes the case that gold is one of the best if not the best inflation hedge, it also argues that one ought not expect gold's purchasing power to be constant day by day or even year by year. That is expecting too much of gold, having a view of gold that is 'too large.'

Before moving on to the reasons for owning gold, we want to touch on one more data point that drives home the value of owning gold. **Chart 3** compares the price of gold to the S&P 500 stock index since 1968. We indexed both the nominal prices of gold and the index and the real, inflation-adjusted price, to 1968, to allow ready comparisons. In both nominal terms and real terms, gold has outperformed equities in a stellar fashion.

Real and Nominbal Gold Prices and S&P 500 Index, Indexed to 100 **Chart 3**

Base Year = 1968



Reasons To Own Gold

At the outset of this report CPM reduced the reasons for owning gold, for storing some of your wealth in gold, to the absolute simplest formula: Gold can provide capital preservation (protection against the loss of wealth to market vagaries) and capital appreciation (the ability to increase one's wealth through gold prices increasing).

It is time to flesh out that skeleton. Gold can provide the following list of benefits to investors. They may be divided into capital preservation or capital appreciation characteristics, but they are distinct benefits of owning gold.

We are not sure that any other asset, except silver, provides such a wide array of beneficial attributes to people.

That said, CPM wants to re-emphasize a point made earlier. Do not believe that gold is a magical investment or financial panacea, or that gold has super powers to protect you against inflation, currency depreciation, stock and bond portfolio declines, and a list of economic, financial, and political issues that can disrupt your lives and reduce your well-being.

Catastrophic Insurance

Global and Personal

Wealth Diversifier

Wealth Denomination Diversifier

Most people have most of their wealth denominated in only their domestic currency; a few have maybe two currencies denominating all of their wealth.

Investments

Including *diversifying* one's portfolio

Opportunistic Short-Term Investments

Table 1 shows the historical statistical relationships between gold and inflation, the trade-weighted dollar, stocks, bonds, and bills. The top line shows the overall relationship from 1970, two years after gold prices were freed to float against the U.S. dollar, and 2021.

You can see that the statistical relationship with inflation has been 9% over the entire 51 years. There have been times when gold prices were rising while inflation was falling. That has been the case for much of the time since 1983, in fact. As a result, the relationship was negative in those periods. A realistic understanding of the loose but real relationship between gold and inflation is central to investing wisely in gold.

Similarly, you often hear that gold trades against the dollar. Billionaires we know have lost great sums of money by adhering to this belief. Over time, the relationship has been -34%, meaning that if you bought and sold gold based on whether the dollar was rising or falling, you would have lost two-thirds of the time.

The final four columns are important. The relationships between changes in gold prices and changes in stocks, bonds, and bills are virtually zero. Gold does not trade 'against' these assets. However, it makes an excellent diversifier of a portfolio of these assets, exactly because it is uncorrelated to them.

Long - Term Correlations **Table 1**

Monthly Data

Gold	Inflation	TWD	DJIA	S&P	T-Bill	T-Bond	Silver
1970 - 2021	9%	-34%	-4%	-5%	1%	-1%	70%
1970 - 1990	9%	-34%	2%	-2%	-2%	10%	71%
1978 - 1982	6%	6%	32%	13%	-13%	3%	85%
1990 - 2021	-4%	-36%	-13%	-9%	2%	-9%	67%
2000 - 2021	0%	-40%	-13%	-9%	1%	-13%	74%
2002 - 2021	2%	-40%	-10%	-9%	1%	-14%	75%
2008 - 2021	-5%	-38%	-10%	-8%	3%	-14%	77%

Source: CPM Group
January, 2022

So Where Are We Now?

By this point in the report most readers are tired of the theoretical reasons for owning gold and want to focus on what they might do here and now. Let us focus a bit on where the economy is and what it means for gold.

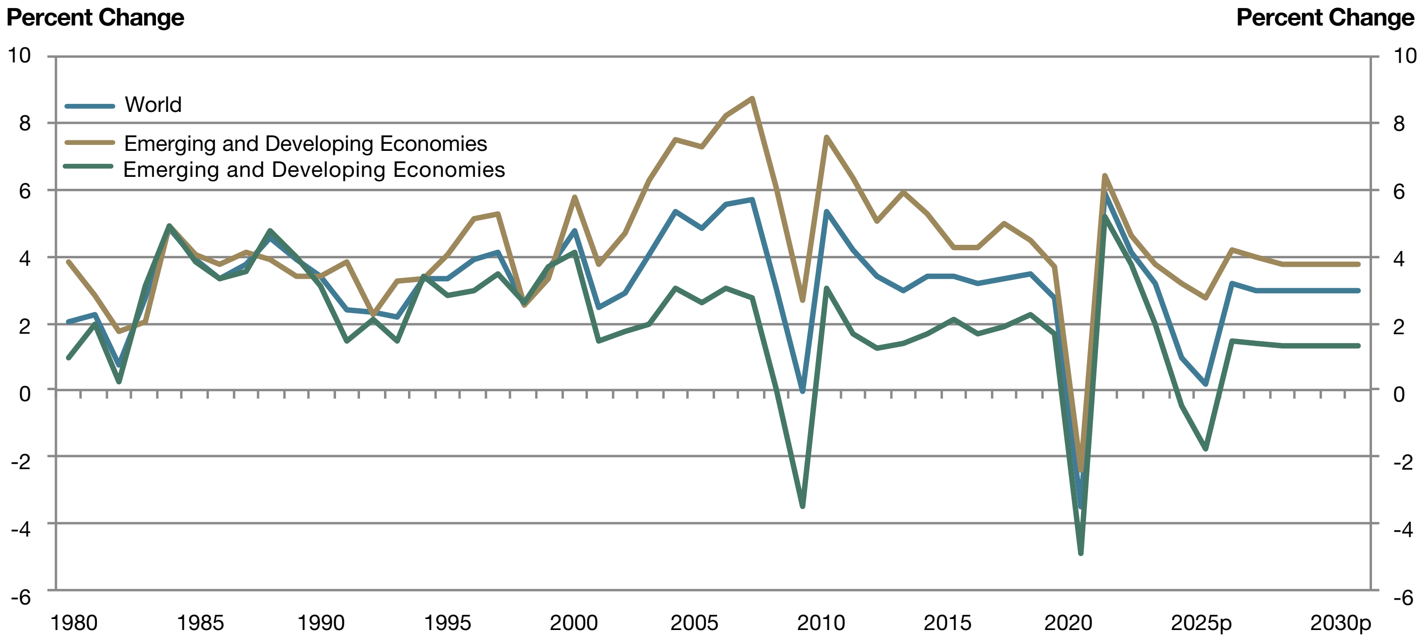
Chart 4 is CPM's 10-year projections of world real gross domestic product. It shows the world in blue, emerging and developing nations in light green, and advanced economies in gold. Over the past few years CPM has been projecting a recession in the advanced economies for sometime around 2024 – 2026. We still are.

We project weak growth in 2023, before the possibility of that bigger, deeper, wider, longer recession later.

The rationale for CPM's projection of a larger recession later is that there still is a fair bit of positive economic activity in most sectors of the economy. Much of the weakness in the first half of this year has been in corporate inventories. Companies have had trouble replenishing inventories drawn down during the high demand of 2021. Companies also have been consciously reducing their inventories, sensing economic weakness coming along with higher interest rates, higher inflation, and a steep reduction in the fiscal stimuli that kept the 2020 recession short and propelled the 2021 economic rebound.

Real Gross Domestic Product **Chart 4**

Annual, Projected Through 2031, last updated 25 July 2022



The U.S. appears to have entered a shallow recession in the first half of 2022. (Final data will not be in for a few months yet.) Our expectation is that this current weak period, if not contracting real economic activity, will not last long, and will not see a sharp contraction in the advanced economies. We are comparing the current economic slowdown to the shallow recessions of 1991 and 2001, although this one may not be as measurable as those two. We expect worse later.

Bigger problems are looming, however. Those are projected in our analyses to likely arrive in two or more years. There is trouble on the breeze, but right now it seems more of a breeze than a gale to CPM.

U.S. Real Gross Domestic Product **Chart 5**

U.S. real GDP: 1850 – 1919, 16 recessions, 22 month average length;
1945 – 2009, 11 recessions, 10 months average length

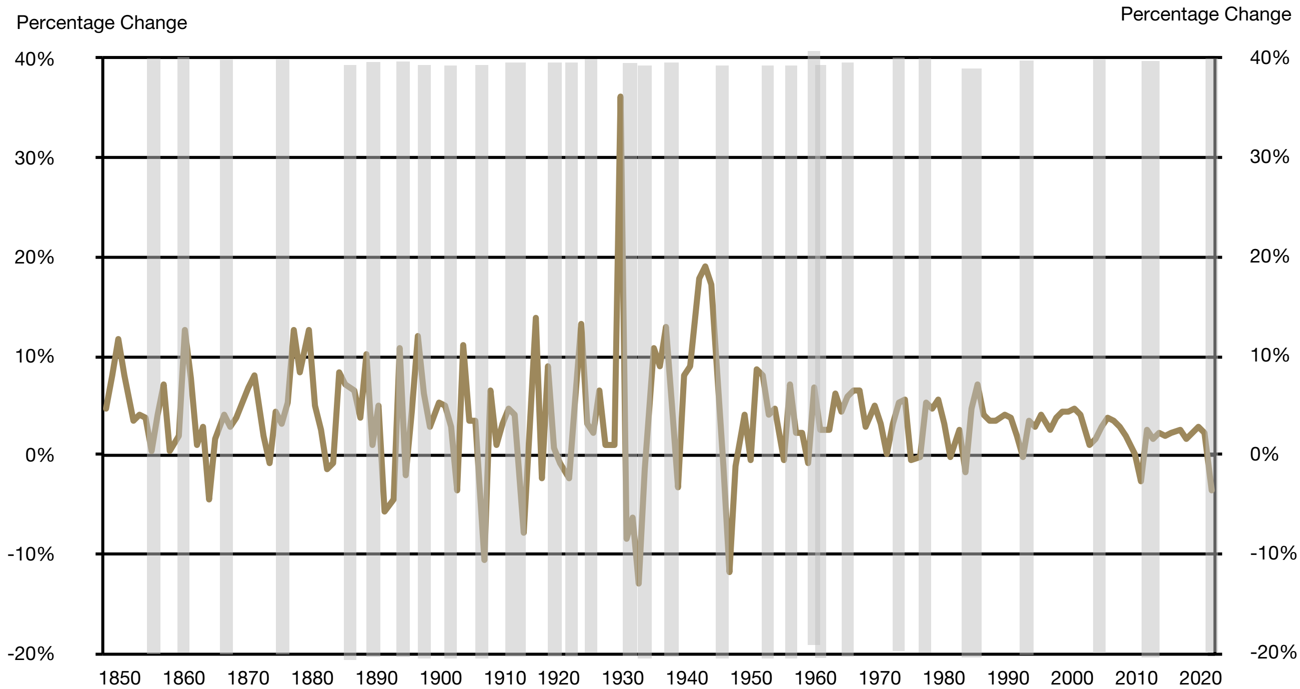


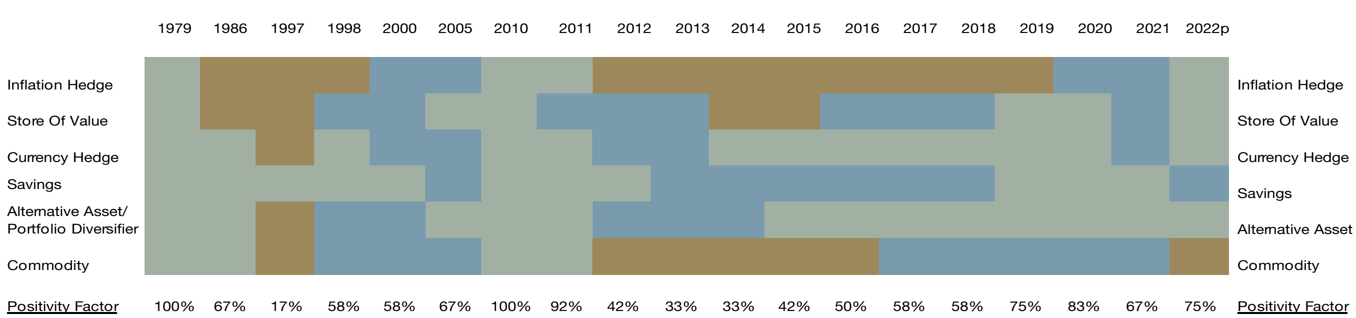
Chart 5 focuses solely on the U.S. economy and provides a historical perspective on the state of the economy. We all keep hearing that the 2020 recession was 'the deepest recession since the Great Depression.' That actually was not true, since the 1947 recession was far larger than the 2020 one. But more important:

While the 2020 recession was the deepest recession since the Great Depression and 1947, it was far smaller than either of those in terms of the depth of the economic contraction, and it was much shorter as well. Furthermore, the 2020 recession was uniquely manufactured by governments in response to the Covid-19 pandemic rather than brought on by economic or political developments.

All of this is to emphasize a key point of this report. It is important to put current economic and political conditions into perspective. The recession was unique, and far less damaging than the 12 years of the Great Depression.

So, too, while the political divisions and risks in the United States are very worrisome, history points to various times when the country was just as divided, most notably during the 1920s and 1930s. We backed away from a totalitarian state then. We may well avoid that fate again.

Factor Analysis: Gold Investment Demand **Chart 6**



Taking that economic outlook and analysis, and marrying it to the potential beneficial attributes of owning gold CPM outlined above, we are able to construct **Chart 7**, which handicaps our reasons for owning gold. The color signals in the chart are assigned by CPM's analysts based on our view of the economic and political environment at any time.

This year CPM sees gold's potential as an inflation hedge, store of value, currency hedge, alternative asset, and portfolio diversifier as flashing green: Strong reasons to buy gold. CPM is modestly positive on buying gold as a form of savings at present, in part reflecting the record high prices. CPM does not see gold's fundamental commodities position, the balance between newly refined gold flowing into the market relative to fabrication, central bank, and investment demand, as being particularly compelling this year.

Combined, CPM's weighting is a 75% positive for adding gold to one's portfolio in 2022, as high as it was in 2019 when gold went from $1,272 to $1,554 on its way to a then-record $2,058 in August 2020. It also is the highest level since the international debt crisis, the European sovereign debt crisis, and the downgrading of the U.S. Treasury securities rating in 2011.

The conclusion of this review of the current economic and political landscape and its potential effects on gold prices are clear. Be concerned. If you are not concerned, you are not paying attention. It is a time when adding to one's gold holdings makes sense to us, but do not chase record high prices higher. And, do not be panicked by arm-flailing folk telling you that the global economy is falling apart. If we have learned anything from the past four decades it is that monetary and political authorities will use every tool they have to keep us from sinking into another Depression, and they have an enormous stockpile of tools to draw upon.

We will return to this conclusion at the end of this report, but first let's dig deeper into understanding the attributes of gold and the reasons to own it.

The CPM Quilt Chart Of Investment Returns Including Gold and Silver **Chart 7**

Annual Returns for Key Indices Ranked in Order of Performance (2001–2021), Year-end to Year-end

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
U.S. FIXED INCOME 8.43%	GOLD 24.80%	EMERGING MARKET EQUITY 55.82%	REAL ESTATE 37.96%	EMERGING MARKET EQUITY 34.00%	SILVER 45.50%	EMERGING MARKET EQUITY 39.38%	GOLD 5.53%	EMERGING MARKET EQUITY 78.51%	SILVER 83.66%	GOLD 10.23%	REAL ESTATE 27.73%	SMALL CAP EQUITY 38.82%	REAL ESTATE 25.87%	REAL ESTATE 3.79%	SMALL CAP EQUITY 21.31%	EMERGING MARKET EQUITY 37.28%	CASH EQUIVALENT 2.48%	LARGE CAP EQUITY 31.49%	SILVER 47.38%	LARGE CAP EQUITY 28.71%
CASH EQUIVALENT 5.78%	GLBL EX- U.S. FIXED 22.37%	SMALL CAP EQUITY 47.25%	EMERGING MARKET EQUITY 25.55%	SILVER 30.03%	REAL ESTATE 42.12%	GOLD 31.35%	U.S. FIXED INCOME 5.24%	HIGH YIELD 58.21%	GOLD 29.67%	U.S. FIXED INCOME 7.84%	EMERGING MARKET EQUITY 18.23%	LARGE CAP EQUITY 32.39%	LARGE CAP EQUITY 13.69%	LARGE CAP EQUITY 1.38%	HIGH YIELD 17.13%	DEV EX-U.S. EQUITY 24.21%	U.S. FIXED INCOME 0.01%	SMALL CAP EQUITY 25.52%	GOLD 24.42%	REAL ESTATE 26.61%
HIGH YIELD 5.28%	U.S. FIXED INCOME 10.26%	REAL ESTATE 40.69%	DEV EX-U.S. EQUITY 20.38%	GOLD 18.36%	EMERGING MARKET EQUITY 32.17%	SILVER 15.35%	GLBL EX- U.S. FIXED 4.39%	SILVER 49.14%	SMALL CAP EQUITY 26.85%	HIGH YIELD 4.98%	DEV EX-U.S. EQUITY 16.41%	DEV EX-U.S. EQUITY 21.02%	U.S. FIXED INCOME 5.97%	U.S. FIXED INCOME 0.55%	SILVER 15.84%	LARGE CAP EQUITY 21.83%	HIGH YIELD -2.08%	DEV EX-U.S. EQUITY 22.49%	SMALL CAP EQUITY 19.96%	SMALL CAP EQUITY 14.82%
SMALL CAP EQUITY 2.49%	SILVER 4.88%	DEV EX-U.S. EQUITY 39.42%	SMALL CAP EQUITY 18.33%	REAL ESTATE 15.35%	DEV EX-U.S. EQUITY 25.71%	DEV EX-U.S. EQUITY 12.44%	CASH EQUIVALENT 0.05%	REAL ESTATE 37.13%	ESTATE 19.63%	GLBL EX- U.S. FIXED 4.36%	SMALL CAP EQUITY 16.35%	HIGH YIELD 7.44%	SMALL CAP EQUITY 4.89%	CASH EQUIVALENT 0.26%	LARGE CAP EQUITY 11.96%	SMALL CAP EQUITY 14.65%	GOLD -2.14%	REAL ESTATE 22.47%	LARGE CAP EQUITY 18.40%	DEV EX-U.S. EQUITY 12.62%
GOLD 1.97%	REAL ESTATE 2.82%	HIGH YIELD 28.97%	SILVER 14.62%	DEV EX-U.S. EQUITY 14.47%	GOLD 22.95%	GLBL EX- U.S. FIXED 11.03%	SILVER -24.30%	DEV EX-U.S. EQUITY 33.67%	EMERGING MARKET EQUITY 18.88%	LARGE CAP EQUITY 2.11%	LARGE CAP EQUITY 16.00%	REAL ESTATE 3.67%	HIGH YIELD 2.45%	DEV EX-U.S. EQUITY -3.04%	DEVMERGING MARKET EQUITY 11.19%	GOLD 13.68%	GLBL EX- U.S. FIXED -2.15%	GOLD 18.87%	EMERGING MARKET EQUITY 18.31%	HIGH YIELD 5.28%
SILVER -1.01%	CASH EQUIVALENT 1.72%	LARGE CAP EQUITY 28.68%	GLBL EX- U.S. FIXED 12.54%	LARGE CAP EQUITY 4.91%	SMALL CAP EQUITY 18.37%	U.S. FIXED INCOME 6.97%	HIGH YIELD -26.16%	SMALL CAP EQUITY 27.17%	HIGH YIELD 15.12%	CASH EQUIVALENT 0.03%	HIGH YIELD 15.81%	CASH EQUIVALENT 0.07%	CASH EQUIVALENT 0.04%	SMALL CAP EQUITY -4.41%	REAL ESTATE 7.87%	GLBL EX- U.S. FIXED 10.51%	LARGE CAP EQUITY -4.38%	EMERGING MARKET EQUITY 18.42%	GLBL EX- U.S. FIXED 10.11%	CASH EQUIVALENT 0.09%
EMERGING MARKET EQUITY -2.61%	HIGH YIELD -1.37%	SILVER 23.96%	HIGH YIELD 11.13%	SMALL CAP EQUITY 4.55%	LARGE CAP EQUITY 15.79%	LARGE CAP EQUITY 5.49%	SMALL CAP EQUITY -33.79%	LARGE CAP EQUITY 26.47%	LARGE CAP EQUITY 15.06%	SMALL CAP EQUITY -4.18%	SILVER 8.28%	U.S. FIXED INCOME -2.02%	GOLD -1.51%	HIGH YIELD -4.47%	DEV EX-U.S. EQUITY 2.75%	HIGH YIELD 7.50%	REAL ESTATE -2.93%	SILVER 15.32%	DEV EX-U.S. EQUITY 7.59%	U.S. FIXED INCOME -1.54%
GLBL EX- U.S. FIXED -3.75%	EMERGING MARKET EQUITY -6.16%	GOLD 19.50%	LARGE CAP EQUITY 10.88%	HIGH YIELD 2.74%	HIGH YIELD 11.85%	CASH EQUIVALENT 3.34%	LARGE CAP EQUITY -37.00%	GOLD 23.96%	DEV EX-U.S. EQUITY 8.95%	REAL ESTATE -6.46%	GOLD 6.96%	EMERGING MARKET EQUITY -2.60%	EMERGING MARKET EQUITY -2.19%	U.S. Fixed Income 2.65%	U.S. FIXED INCOME 2.65%	SILVER 7.23%	SILVER -9.36%	HIGH YIELD 14.32%	U.S. FIXED INCOME 7.51%	GOLD -3.51%
REAL ESTATE -3.81%	DEV EX-U.S. EQUITY -15.80%	GLBL EX- U.S. FIXED 19.36%	GOLD 5.36%	U.S. FIXED INCOME 2.43%	GLBL EX- U.S. FIXED 8.16%	HIGH YIELD 1.87%	DEV EX-U.S. EQUITY -43.56%	DEV EX-U.S. EQUITY -43.56%	DEU.S. FIXED INCOME 6.54%	SILVER -9.77%	U.S. Fixed Income 4.21%	GLBL EX- U.S. FIXED -3.08%	GLBL EX- U.S. FIXED -3.09%	GOLD -10.46%	GLBL EX- U.S. FIXED 1.49%	REAL ESTATE 5.31%	SMALL CAP EQUITY -11.01%	U.S. FIXED INCOME 8.72%	HIGH YIELD 7.11%	EMERGING MARKET EQUITY -2.54%
LARGE CAP EQUITY -11.89%	SMALL CAP EQUITY -20.48%	U.S. FIXED INCOME 4.10%	U.S. FIXED INCOME 4.34%	CASH EQUIVALENT 2.24%	CASH EQUIVALENT 4.94%	SMALL CAP EQUITY -1.57%	REAL ESTATE -48.21%	GLBL EX- U.S. FIXED 7.53%	GLBL EX- U.S. FIXED 4.95%	DEV EX-U.S. EQUITY -12.21%	U.S. FIXED INCOME 4.21%	GOLD -28.26%	DEV EX-U.S. EQUITY -4.32%	SILVER -11.51%	CASH EQUIVALENT 0.56%	U.S. FIXED INCOME 3.54%	DEV EX-U.S. EQUITY -14.09%	GLBL EX- U.S. FIXED 5.09%	CASH EQUIVALENT 0.10%	GLBL EX- U.S. FIXED -7.05%
	LARGE CAP EQUITY -22.10%	CASH EQUIVALENT 1.19%	CASH EQUIVALENT 0.91%	GLBL EX- U.S. FIXED -8.65%	U.S. FIXED INCOME 4.33%	REAL ESTATE -7.39%	EMERGING MARKET EQUITY -53.33%	CASH EQUIVALENT 0.11%	CASH EQUIVALENT 0.18%	EMERGING MARKET EQUITY -18.42%	CASH EQUIVALENT 0.09%	SILVER -33.41%	SILVER -22.50%	EMERGING MARKET EQUITY -14.92%	GOLD -8.63%	CASH EQUIVALENT 1.45%	EMERGING MARKET EQUITY -14.57%	CASH EQUIVALENT 1.53%	REAL ESTATE -9.44%	SILVER -11.59%

Gold Compared to 9 Asset Classes and Silver

Charts 7 and 8 compare the annual performance of gold and silver with 9 asset classes, including various groups of stocks (large cap, small cap, US, emerging market), bonds, real estate, and cash (T-Bills). The performance is measured here as the increase or decrease from the end of the previous year to the end of each year.

The first point to make is that over the 21 years from 2000 through 2021 gold and silver each were among the better performing assets in this study. Gold and silver each had the best return in three years, or 15% of the time over the past two decades. If you think of gold and silver as one asset class – this study compares the metals to broader groups or classes of assets rather than to single assets, like a stock, a bond, gold, or silver – then gold and silver were the top performer 6 times, or 30% of the years since 2000.

Chart 8 examines the relative performances in the first and second quarter. We kept the full year 2020 and 2021 in the chart for comparison purposes but dropped off the earlier years to make this more readable. In 2020 silver had the best performance, and gold second. In 2021 gold ranked 8th and silver was last at 11th, reflecting an often seen phenomenon in which the top performers in one period are not so hot the next period, since their prices already have risen.

The same performance profile has played out during the first half of 2022. Silver was the top performing asset in the first quarter with gold coming in second. And, they did this by a wide measure. Silver rose 7.6% in the first quarter while gold rose 6.6%. The third ranking asset class was 'cash,' Treasury bills, with a 0.6% return. Everything else was negative in the quarter.

In the second quarter gold held up well, ranking third. It lost value, but not as much as most other assets. Silver came in last place again. Silver prices, as they say, are more volatile than gold prices.

This is just one measure that demonstrates that gold and silver compare quite favorably over time to other assets and investments.

Chart 8

Investment Returns Including Gold and Silver

Annual and Quarterly Returns

2020	2021	2022Q1	2022Q2
SILVER 47.38%	LARGE CAP EQUITY 28.71%	**SILVER 7.63%**	CASH EQUIVALENT 1.75%
GOLD 24.42%	REAL ESTATE 26.61%	**GOLD 6.60%**	U.S. FIXED INCOME -4.69%
SMALL CAP EQUITY 19.96%	SMALL CAP EQUITY 14.82%	CASH EQUIVALENT 0.61%	**GOLD -7.28%**
LARGE CAP EQUITY 18.40%	DEV EX-U.S. EQUITY 12.62%	REAL ESTATE -2.32%	HIGH YIELD -9.83%
EMERGING MARKET EQUITY 18.31%	HIGH YIELD 5.28%	LARGE CAP EQUITY -4.60%	GLBL EX- U.S. FIXED -11.01%
GLBL EX- U.S. FIXED 10.11%	CASH EQUIVALENT 0.09%	DEV EX-U.S. EQUITY -4.81%	EMERGING MARKET EQUITY -11.45%
DEV EX-U.S. EQUITY 7.59%	U.S. FIXED INCOME -1.54%	HIGH YIELD -4.84%	REAL ESTATE -12.66%
U.S. FIXED INCOME 7.51%	**GOLD -3.51%**	U.S. FIXED INCOME -5.93%	DEV EX-U.S. EQUITY -14.66%
HIGH YIELD 7.11%	EMERGING MARKET EQUITY -2.54%	GLBL EX- U.S. FIXED -6.15%	LARGE CAP EQUITY -16.10%
CASH EQUIVALENT 0.10%	GLBL EX- U.S. FIXED -7.05%	EMERGING MARKET EQUITY -6.98%	SMALL CAP EQUITY -17.20%
REAL ESTATE -9.44%	**SILVER -11.59%**	SMALL CAP EQUITY -7.53%	**SILVER -19.30%**

But Gold Investors Can Do A Lot Better Than Just Buy And Hold

The next point we would like to make is that, as mentioned earlier, much of the comparative performances are undertaken either as a "buy and hold" measure, or as a rolling average of returns.

CPM has always advocated using your head. While CPM always believes it is wise to have some of one's wealth in gold, there are times when gold makes much more sense than at other times.

The next two charts and table show the hypothetical returns an 'intermediate term' investor with a one- to three-year investment horizon could have had if it had followed CPM's intermediate term buy and sell recommendations since we began keeping track of them in December 1980. These all are published recommendations, many appearing in CPM's annual Surveys and Yearbooks on gold over the years.

The returns compared to merely having bought gold in the beginning are amazing, with all humility aside. And, they were accomplished, theoretically, with 12 buy or sell recommendations.

Chart 9

Performance of CPM Group Gold Research Intermediate Recommendations

Performance of CPM Group Gold Research Intermediate Recommendations

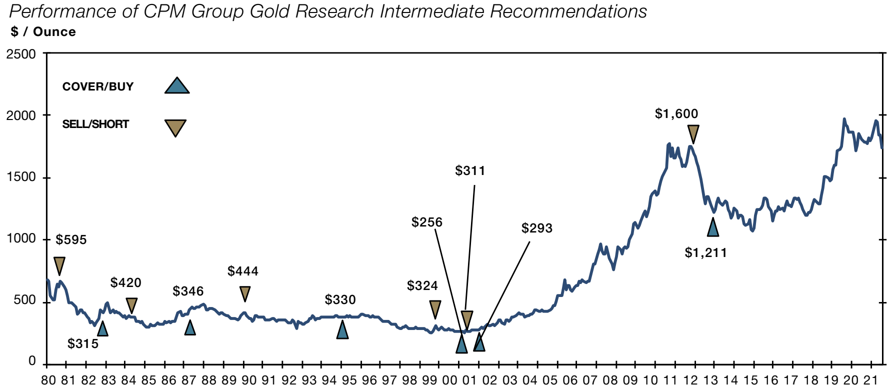
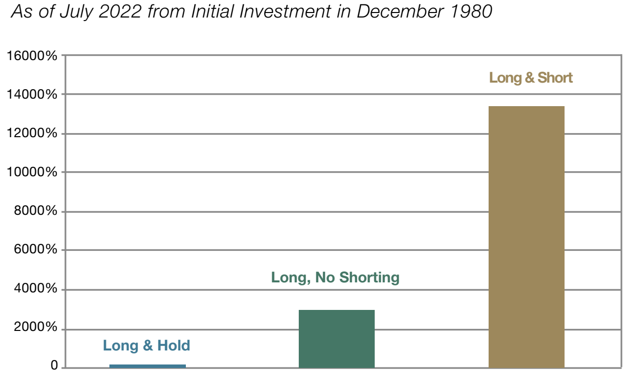


Chart 10

Gold Investment Portfolio Returns on Three Strategies

As of July 2022 from Initial Investment in December 1980



Portfolio 3 bought and sold gold over 40 years based on CPM Group's intermediate term projections and recommendations, as published in its annual yearbooks and other reports. It also sold gold short based on those same reports.

Table 2

Gold Investment Returns: Three Portfolios

	Portfolio 1 Bought and Held Gold	Portfolio 2 Bought and Sold Gold	Portfolio 3 Bought, Sold, and Shorted Gold
Initiated Positions* Gold Price: $594.92 December 1980	1,000,000	1,000,000	1,000,000
Value as of April 2021 Gold Price: $1,732.22	2,825,646 2.83	30,676,424 30.68	129,531,644 129.53
Return as of April 2021 Annualized Rate of Return	182.6% 2.75%	2967.6% 8.94%	12853.2% 12.9%

Notes: Portfolio 1 would have bought gold in December 1980. Portfolio 2 would have waited until CPM Group's first buy recommendation, which occurred in June 1982, to purchase its gold. Portfolio 3 would have sold gold short in December 1980, reflecting CPM Group's bearish intermediate term outlook at that time. All data based on market prices and published projections and recommendations. Background data and information available on request. Portfolio 3 is not adjusted for the costs of the short gold positions during that time. Interest rates used are one year T-Bills SOURCE: CPM GROUP REPORTS. 17 MAY 2021

Things to be Concerned about, and Things Not to Fear

One of the themes of this report has been the difference between what CPM would call rational gold investing and having a view of gold that is 'too large,' too demanding, expecting gold to perform rescues of a person from the ravages of humanity: Bad government, wars, pandemics, famines, inflation, depressions, recessions, and a host of other issues.

Owning gold can help people weather the ravages of time. However, it does not offer a 100% money-back guarantee. We are right to be concerned about the future of the international currency regime, and what the world of tomorrow will look like in terms of currency systems, economic systems, national and international political structures, economic trends, potential deflationary pressures from labor, manufacturing, retail, and commercial real estate around the world.

There is concern, and there is fear. One should avoid fear, and fear mongers.

We should be concerned about currency market volatility and the likelihood that the dollar based international currency regime could diminish in stature over many decades and may be replaced by something else. We should not be afraid of the dollar collapsing. That is highly unlikely to happen for decades, and the relative strength of the United States compared to other governments offers hope, however slim thanks to a lack of effective and ethical political leadership in many of those countries, that the dollar may find itself the de facto currency of choice for the foreseeable future.

It should be noted that the only currency system that has not collapsed is the current one. Furthermore, virtually all of those past, collapsed currency systems were backed by or based on gold or silver. Currency systems collapse. That is the lesson to take away. And, gold and silver do not stop that from happening.

Be concerned about fiscal deficit spending and rising debt, at the U.S. federal, state, and local levels, in other countries around the world, in the private corporate and personal sectors of the economy. Debt is a problem, but it is a manageable one, and debt issues need not be resolved 'by fire.'

The U.S. deficit spending and debt could be resolved, if the country's leaders would only find the political will to face the task at hand. In 1947 the federal government's debt was around 121% of the country's GDP. The U.S. paid that down over the course of the 1950s, 1960s, and 1970s, as the country experienced what many see as a period of unprecedented wealth generation and well being. Things got out of hand in the 1980s, and continue to be so, but even in the current era the U.S. federal government found the way to pay down roughly one trillion in debt from around 1997 into 2001. We could do it again.

"Only Thing We Have to Fear Is Fear Itself."

Franklin D. Roosevelt

Similarly, we should not be afraid that 'excess' money supply will lead to hyperinflation. It has not done so in the past four decades. The two charts here show the relationship between money supply growth – the Fed's monetary accommodation – and U.S. inflation. **Chart 11** shows the two data series through June of this year, showing the 370% increase in money supply in 2020 and early 2021 while the Fed and federal government worked to keep the economy from collapsing during the pandemic and economic lockdown. It also shows the sharp decline since the first quarter of 2021, as the economy recovered and the Fed began withdrawing its monetary support.

The issue, in CPM's view, is not monetary policies as many gold commentaries would have it, but rather the fiscal deficits generated by the Congress and Administration. We are far more concerned about irresponsible runaway fiscal policies than we are about monetary policies.

Chart 12 stops at 2019, so that the eight periods of enormous increases in the supply of M1 money are visible. Notably, inflation was flat and did not rise because of those periods of monetary easing. Each period was in reaction to a financial or economic crisis. Each period was followed by the Fed sucking the excess money out of the system once the crisis was past, obviating severe inflationary consequences.

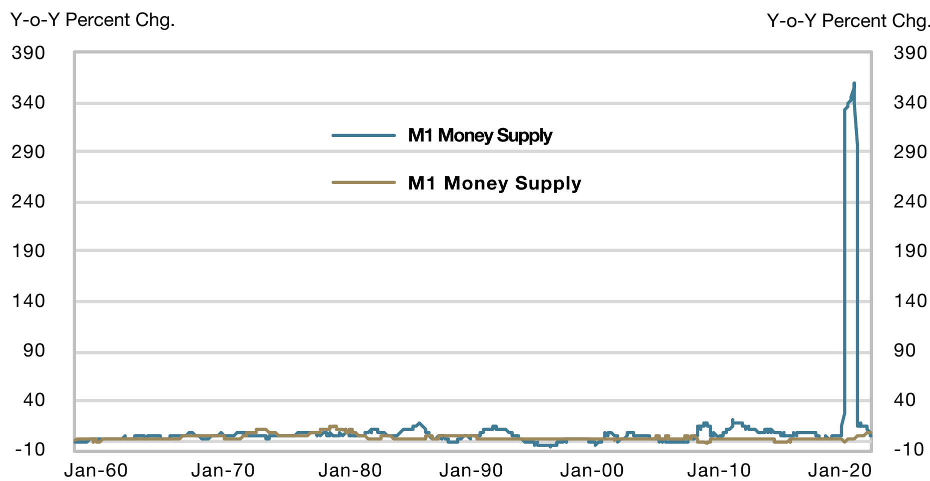
The recent period of high monetary growth was far greater than anything before. The question we should be concerned about is whether the Fed once more is able to engineer draining the money supply without throwing the economy into a major recession. There are signs it can, and it seems to understand monetary affairs better than the fear mongers saying it cannot.

CPM, as noted earlier, expects a major recession, maybe around 2024 – 2026. We do not expect it to be caused by monetary policy. We are more concerned about fiscal and political developments upsetting the cart.

There are many other things that should concern all of us. But there also are many things we should not be afraid of.

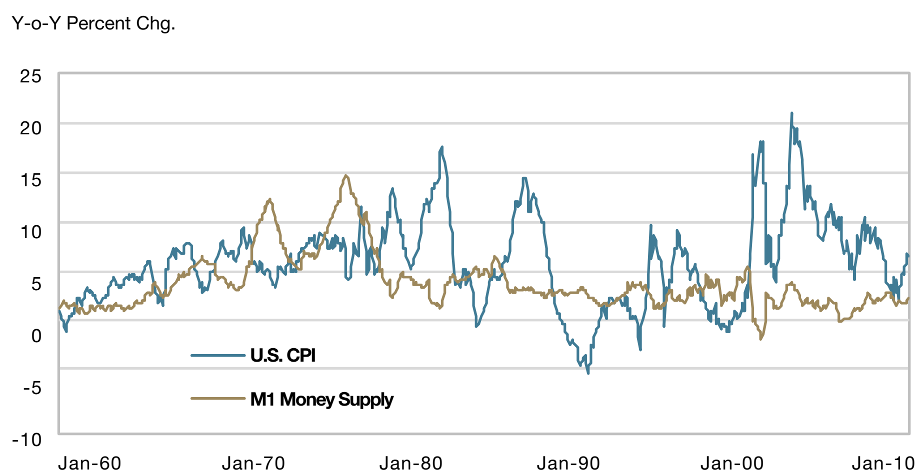
Monthly M1 Money Supply and U.S. Inflation **Chart 11**

Jun. 2022



Monthly M1 Money Supply and U.S. Inflation **Chart 12**

Dec. 2019



Inflation is a problem. It is not the same inflation as we had in the 1970s, and there are signs it can and will be brought under control over the next year or so, unless fiscal policies and political developments interfere. The disinflationary efforts should unfold relatively slowly, to make sure they do not throw the country into a recession. However, that may be too slow for a democratic political system that has lost its composure. **Chart 13**.

There also is no need to fear governments secretly planning a 'Great Reset' to confiscate everyone's money. They are not. Governments are moving from paper money and computerized money to digital currencies. But that is no more nefarious or destructive than the earlier moves from cash to credit cards, to debit cards.

Through the tough times ahead, the Treasury is not likely to collapse. Nor is the stock market.

U.S. Inflation **Chart 13**

Monthly Data, Through June 2022

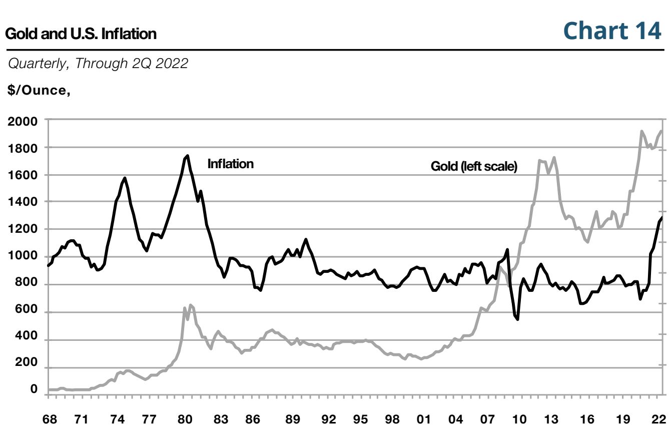
Things That Gold Will Not Do For You

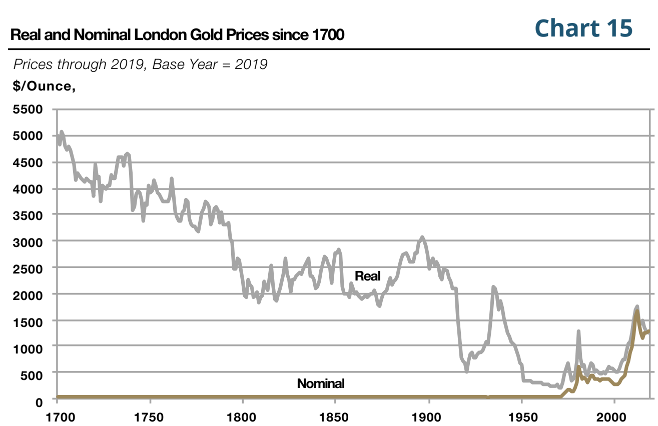
One last round of cautionary comments for you to consider. Be aware of what gold will and will not do for you.

Gold does not move against the dollar point for point most of the time. In fact, two-thirds of the time gold price moves are uncorrelated or positively correlated with changes in the dollar's trade-weighted exchange rate. What gold can do for you is to help protect against currency fluctuations and depreciation over time.

Gold will not protect you from inflation, point for point, but it can help insulate your wealth from depreciation due to inflation, especially during periods of high inflation.

Finally, the purchasing power of gold is not stable over time. It fluctuates greatly and has deteriorated over the centuries. The 'golden constant' is a myth. Gold's value is similar to that of currencies. It is a quasi-currency, an alternative to currencies. It is an asset that you can own and hold, which will diversify the denominator of your wealth, while offering capital appreciation opportunities.





The Final Word

The conclusion is that everyone should own gold. Gold is a unique asset that can help people protect their wealth and well being from an enormous range of political, economic, financial, and personal catastrophes. Owning gold, having some of your wealth in gold, denominating some of your wealth in gold can help you face the future. It always has been and will always be there for people.

The economic and political environment facing Americans today is treacherous, probably more so than at any time since the Great Depression and World War II. We all need to clearly assess and understand the nature of the risks, free from the propaganda thrown at us from all sides.

We should be concerned. If you are not concerned, you are not paying attention.

Owning gold just makes sense.

CPM Group LLC

CPM Group is a fundamentally based commodities research shop. We develop our own proprietary estimates of gold, silver, platinum, and palladium supply and demand on a global basis, drawing on every resource we can find, including our own extensive list of contacts involved in precious metals around the world. We have been doing this sort of research and analysis since the 1970s, far longer than anyone else in the business. We also undertake research in specialty metals, base metals, energy and agricultural commodities. We are known for our basic fundamental research, a wide range of financially oriented consulting services, and our expertise in using financial derivatives to structure financing for producers, refiners, industrial users, and investors interested in either hedging or investing in commodities.

Our investment philosophy is simple: We are value investors who base our decisions on what to buy, sell, hold, or avoid on the fundamentals of each asset, and the macro-economic, financial and political environmental factors that we expect will affect that asset's value. We have concerns, expressed in this report and elsewhere, about long-term imbalances in government deficit spending, public and private debt, and a wide range of other economic and political factors. We don't expect the world's financial system to collapse, however. That is not the way the world tends to work. More likely economic outcomes in the real world lie between the extremes of cataclysmic collapses and nirvana. We advise our clients – and practice what we preach – to have some of their wealth in gold and silver as an insurance policy against a catastrophic failure, but we also advise them to invest other portions of their money in precious metals and other assets based on the assumption that that sort of failure does not occur. We focus on investing based on likely scenarios, but with an eye always open to outlying events that take the world's markets by surprise. We have watched investors who were so worried about a collapse that they missed some of the largest stock and bond market rallies of all times over the past 30 years, while watching their safe haven assets fluctuate eight-fold in value up and down, and then up and down again. We prefer our clients to buy and sell precious metals and other assets based on cyclical and other developments, while also maintaining that long-term insurance policy in case the levee breaks.