Dear Investor,

2016 ushered in the next stage of the precious metals bull market. After nearly five years of a relentless downtrend in the sector the precious metals and mining stocks were among the best performers of any investible asset class. Gold finished the year up 8.5%, silver 14.9% and GDXJ junior mining stock index was up 64%. Our Precious Metals Opportunity Fund gained 47% after all fees and expenses. Compare these numbers to 9.5% for the S&P 500 and 13.4% for the Dow.

The key drivers of the precious metals will likely shift into high gear during 2017. The drivers are fiscal policy, monetary policy and investor risk aversion. Notwithstanding the absurd “hope”-driven Trump rally in the stock market, which by the way is likely over now, the U.S. economy is back-sliding into another recession, with economic activity slowing or contracting in several areas of the economy.

The U.S. budget deficit – at least as presented by the White House – has begun to widen out again. While the Government announced that the spending deficit for 2016 was $587 billion, if the Government accounted for spending using GAAP accounting, as required by public companies, the spending deficit was $1.05 trillion. However, the true spending deficit is revealed by looking at the change in Treasury debt outstanding over the Government's fiscal year. For fiscal 2016, the amount of Treasury debt issued was $1.3 trillion. There's your cash spending deficit.

This is important to understand because the higher dollar will put even more stress on the amount of revenues received by the Government because the higher dollar chokes off exports which depresses corporate earnings and thereby depresses tax revenues. In order to fund the wider deficit, the U.S. Treasury will have to issue debt at an increasing rate. With the largest foreign holders of Treasuries now reducing their holdings (China, Saudi Arabia, Japan) in order to raise liquidity to meet their own domestic issues, it is highly likely that the Fed will begin printing money again in order to help fund the Government.

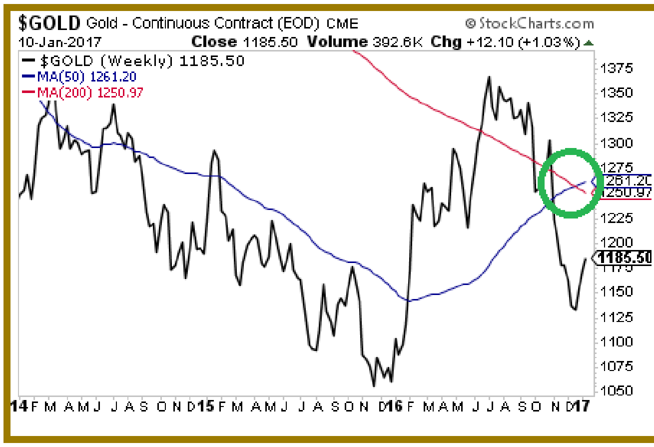
The European and Chinese Central Banks have already re-started monetizing European sovereign and corporate debt. This is one of the reasons gold was up 11.6%, 30% and 16.3% in euros, British pounds and Chinese yuan, respectively.

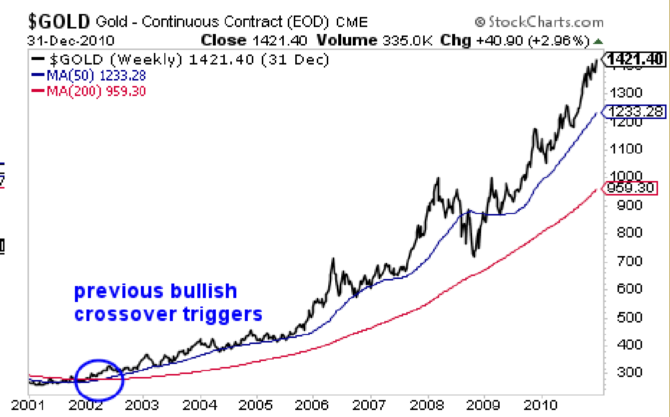
Those results for gold in the respective foreign currencies highlight the importance of owning physical gold and silver to protect yourself from currency depreciation. With the sudden spike up in the dollar in the last four months of 2016, it will be the U.S. Government's turn in 2017 to embark on currency depreciation in order to make U.S. exports more competitive, to attempt stimulating economic activity and to fund Government spending.

A perfect example of gold's ability to protect your wealth is oil. In the year 2000, with oil at $60 per barrel, it took 3.25 grams of gold to buy a barrel. In 2016, with oil at $55 per barrel, it took 1.45 grams of gold to buy a barrel. In other words between 2000 and 2016, with the price of oil basically at the same price in terms of dollars, in 2016 it took less than half the amount of gold that it took in 2000 to buy the same barrel of oil.

As Government spending deficits and debt issuance expands, and as the Fed renews its highly accommodative monetary policy, investors will become more risk averse, sensing desperation to keep the system functioning by the policy-makers. This will lead to shift out of “risk” assets like stocks and into “risk aversion" assets like precious metals. This trend has been quietly taking place beneath the mainstream financial media's veneer of fake news, as the U.S. mint sold a record number of 1 oz. gold eagles during 2016.

We are confident that the precious metals are going to surprise the market to the upside in 2017. During 2016, market sentiment, mainstream media opinion and Wall Street analysis continued to be highly bearish. Interestingly, an extraordinarily bullish technical signal occurred in late 2016. The 50 week moving average crossed over and above the 200 week moving average. The last time this occurred was in 2002 and it was followed by 429% move in the price of gold over the next 9 years.





The mining stocks per the HUI index appreciated 660% over that period.

Our strategy in the fund has been to look for home run potential investment ideas in the junior exploration mining stocks. This sub-segment of the mining stock sector had by far the best performance during 2016. This is because, with global gold production on the cusp of declining and global demand rising – led by the eastern hemisphere Central Banks – the market will pay a premium for companies that can find new deposits. Gold consumption by Turkey, India, China and Russia alone have exceeded global mine supply since 2013.

As an example of the type of premium the market is assigning to exploration companies that appear to have promising deposits, two of our newest and largest stock holdings appreciated considerably during 2016. One of these, Almadex Minerals, appreciated 466% after we added it to the fund. Another one, Silvercrest Metals, ran from 16 cents to $2.55. We will continue to look for ideas like these – companies not yet discovered by the general mining stock investment universe – to add to the fund.

We hope everyone had a relaxing and enjoyable holiday season and we wish everyone the best for 2017. We are confident that 2017 will be another good year to be invested in the precious metals sector.

Dave, Don, Dean and Mike