Dear Investors,

The big rally in Q2 continued into Q3 until early August. At that point, all of the technical and sentiment indicators we monitor were registering levels which indicated that the speculative frenzy that developed in July had reached the point of "boiling over." We see the decline in the sector that began in early August as a healthy "corrective" pullback that will set-up the next move higher.

The precious metals sector made a big run since mid-March, outperforming every asset class with the exception of a handful of insanely overvalued tech stocks. When a market makes a big run like we experienced in Q2, it's not unusual to run into some interference while it consolidates and percolates for the next move higher.

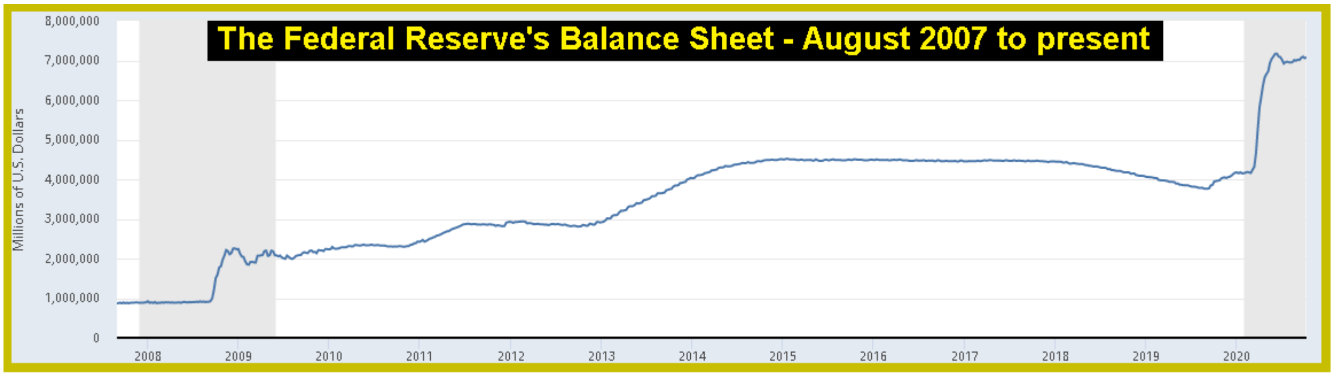
Our fund returned 4.23% for the quarter net of fees and expenses. Whereas last quarter the big gains achieved in the junior mining stocks we own were diluted by the performance of physical gold and silver, in Q3 the price correction in our stock portfolio was buffered considerably by the move higher in physical gold and silver.

The Bank of International Settlements (BIS, the Central Bank for central banks like the Fed) has established gold as Tier 1 bank reserve asset which means it is considered a risk-free asset that banks can count toward their capital reserves. Gold has provided a 25% ROR in the last 52 weeks. Compare that to the ROR provided by two other risk-free assets: Treasuries and cash. Because of the Fed's zero interest rate policy, which will be in place for the foreseeable future, the rate of return on both of those "risk free" assets has been negligible.

But, in a sense, holding cash and Treasuries is not risk-free. This is because, after inflation, which by objective measures has been running between 10% and 12% in major cities across the country for the last five years, the rate of return on cash and Treasury bonds (and corporate and municipal bonds) has been negative. Not only is the price appreciation in gold and silver out-pacing the rate of inflation, both assets are providing a highly positive investment return.

Now the Fed, as insane as it may seem, is on a mission to stimulate "inflation." But this is nothing more than "Fed-speak" that means the Fed will be printing a lot more money. This money is used, and has been used, to keep the big banks solvent, prop up the housing market, and to fund the ever-increasing amount of Treasury issuance. Contrary to Jerome Powell's proclamations, inflation is a cancer to economic health.

Our thesis for devoting the last 20 years to researching, analyzing, trading and investing in gold has been twofold. First and foremost to protect our savings from the ravages of eventual catastrophic policies implemented by the Federal Reserve and the Government. But secondarily, both gold and silver are extraordinarily undervalued relative to the amount of fiat currency and debt being generated globally, especially in the U.S. As such, both gold and silver are singularly unique as assets because they embody both wealth preservation and wealth enhancement properties.



The graphic above shows the Fed's balance sheet from August 2007 to present. The money printing that accompanied the financial crisis in 2008 was merely the starting pitcher warming up in the bullpen. That scale of the money printing that started in mid-September 2019 dwarfs the amount printed from 2008 to 2015.

The sheer amount of debt outstanding exacerbated the shock to the system caused by the virus crisis. In fact, there were indications in August 2019 that the banking system was teetering under a massive load of non-performing assets (loans and derivatives). The Fed began to print money and inject it into the banking system in mid-September under the guise of "repo operations."

At some point, no one knows when, the debasement effect on the dollar from the trillions in money printing will be evident by a rapid decline in the dollar index. That's when the real "fun" begins. In all likelihood the U.S. dollar index will revisit and go below the 70 level it hit in 2008 (it's currently at 93). It is this move in the dollar that will likely, in our view, trigger the type of rush to gold and silver that occurred in the late 1970's. Only this time it will drive the prices of gold and silver to levels that will take most investors by surprise, if not shock.

Currently we're vigilant for the possibility that another "accident" in the stock market might briefly take the precious metals sector down with it. As such we stand ready to put a hedge in place to help buffer the effect of such occurrence. But, like in late 2008, we are confident that an all-encompassing sell-off in the markets will shortly be followed a mad rush into the precious sector, as the large funds unloading risky assets will re-allocate to gold, silver and mining stocks.

Dean and Dave