

Why Silver?

There are many reasons we have selected Silver as our favorite investment at this time. It is our opinion commodities are in a major bull market. We believe that as a general rule commodities will outperform other major asset classes long term, therefore we researched our preferred investment, silver, within the asset class of commodities. In short we expect the current silver bull market to end as the next great bubble market. As with all bubble markets this will create fortunes for some and destroy fortunes for others. Outlined below we summarize a few reasons why we favor silver as our current investment of choice.

1) We believe world wide currency inflation amongst all nations is causing fiat currencies (all nations paper currencies) to lose purchasing power. We expect commodities to rise in value as a result of this phenomenon.

2) Silver is a precious metal that is used and valued as money. Because the supply of Silver can not simply be printed or supplies increased with a simple computer data entry, it retains its purchasing power over time. Expanding the supply of silver is a methodical, enduring process which requires significant human effort, investment, exploration, discovery, production, transportation and storage of a physical item. The precious metal element of an investment is very attractive when other currencies are losing their purchasing power.

3) Not only is silver a precious metal but it is also used and consumed as a commodity. Silver has unique characteristics that are nearly invaluable for commercial use. Silver is used and consumed by all modern societies. It is used in medical supplies, photography, computer chips and in ever increasing aspects of our lives. Because most products such as a computer require a very small quantity of the metal in the finished product, the users of the metal will pay nearly any price for silver in a potential shortage. With great up and coming nations such as China and India with billions of new consumers, commercial demand for silver is yet one more extremely bullish factor to consider.

4) Silver has been in a supply deficit for approximately sixteen years, since 1990. This means every year above ground silver supplies have been diminishing. The only dynamic that can reverse this pattern is a higher price for an ounce of Silver. Only higher prices will encourage exploration and production for new metal to be brought to the market. This is an inevitable fact of a supply deficit. Either the price of silver will increase enough to raise production, or above ground supplies of silver will eventually run out. In the event the world were to run out of above ground silver, there would be no way to predict how high the price for an ounce of silver would rise until the situation is corrected. It is logical to expect a major computer manufacturer to be willing to pay nearly any price for silver in order to complete production of their finished product. Because the amount of silver in most finished products is very small, the price is considered very inelastic, meaning manufacturers will pay whatever it takes to continue production of their products that require very little silver.

5) Another key reason to invest in silver is the acknowledgment of "paper silver" and its negative impact on the price of real silver. Paper silver is a paper contract representing silver that may not necessarily be backed by an actual physical silver bar. For example:

a. Financial institutions currently sell silver certificates for pooled silver accounts. We understand these pooled account certificates may be well in excess of actual silver available anywhere in the world. Any short position held by institutions is potentially a huge suppressant to the free market silver price.

b. The futures markets are another example of a paper contract representing physical silver. It is believed there are more short contract positions in the silver futures markets than can be physically delivered if required. This unnatural condition may be another price appreciation inhibitor.

c. Currently it is legal to lend out silver and charge a fee until it is returned. This is called silver leasing. However, silver that is leased could be consumed in some form of commercial production. Any absence of this metal that is still accounted for by the lender is one more form of shorting physical silver supplies.

Many readers may wonder how these practices can be bullish to the price of silver. If a particular unnatural market activity is negatively affecting the price of a commodity, the price will fall below the free market price determined by supply and demand forces. At that point the metal will become uneconomical for mining companies to explore and produce, resulting in a supply deficit. At some point a supply deficit must end. Either above ground supplies of silver will run out or the suppressants are terminated for one reason or another and the silver price is allowed to rise to its free market supply and demand balanced price. Eventually, the price must go higher.

6) Technically we value silver's historical price patterns. The great volatility of silver allows an investor to capture great profits as it swings high, drops low and then repeats. An investor who can time these intermediate term trades has an opportunity to amass great profits.

7) We are interested in silver's exceptional price spikes such as the 1970's when silver climbed from under two dollars to over fifty dollars. This is an aggressive appreciation of about 2700%. We believe we are currently in similar market conditions and could potentially have a repeat of this significant growth.

8) We like the fact that silver is a tiny market in comparison to most financial markets. This comes down to a concept called Economies Of Scale. For example: It will probably take a significant amount of time for a massive corporation like General Motors to double in size as it currently has a market cap of approximately 16.76 billion dollars. On the other hand the majority of silver mining companies each have a market cap of less than 100 million dollars or 167.6 times smaller than General Motors. Therefore there is significantly more potential for the silver market to increase in value at a much faster rate than a massive corporation such as

General Motors. The key is to have insight as to when this tiny market is in a favorable economic environment to grow.

9) As explained in [Why Precious Metals](#), we are drawn to silver knowing it has been an under performing asset for over two decades. With the assumption that all asset classes are cyclical we are happy to invest in this under valued market.

10) We believe most other investors have currently overlooked this sector and we also think market conditions are ripe for appreciation. As a result of the two decade bear market, we believe precious metals are practically vilified as an investment class. It seems advisers tend to direct their clients away from the unpopular precious metals and towards more familiar securities. Furthermore, it is our understanding that silver is less understood and less popular than gold. Not only do most people today not invest in silver and silver mining equities but these same people could probably not even tell you the name of a single silver mining company. These fundamental understandings are evidence of an asset class that has a lot of potential future growth from additional public investment.

We believe people who invest in silver today are ahead of the crowd. If silver continues to appreciate in value and gain popularity, an ever increasing amount of capital will flow into this tiny market. Should the price once again spike higher than anyone anticipates it would be happily sold as an over valued investment and the capital would be reinvested in the next major bull market.