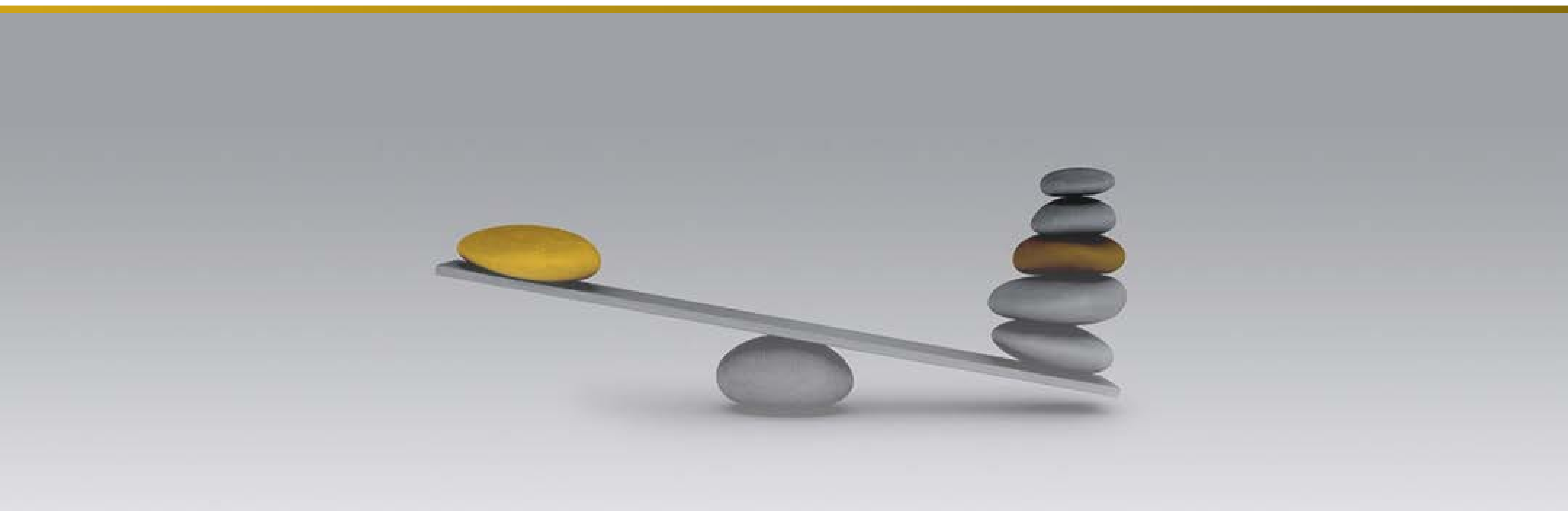
AUCTUS
METAL PORTFOLIOS

NEWSLETTER - JANUARY 2021



HAPPY NEW YEAR TO ALL OUR AUCTUS METAL PORTFOLIOS CLIENTS

The Year 2020 has most certainly been one for the record books, a disastrous year in every sense of the word. Especially considering the quality of life around the globe and the severe economic pain inflicted on businesses as a result of domestic lockdowns and international border closures. Please note the responses to COVID have been extreme and will lead to extreme economic disruption regardless of whether you believe them appropriate or not.

The silver lining for our investors in 2020 is of course our Net Return Performances which have once again outperformed our own long-term average as well as a whole suite of benchmarks across several major global asset classes. The result being large new client investment inflows with Assets Under Management (AUM) by Auctus Metal Portfolios having increased by X2.5 during the calendar year. We humbly thank our investors for their continued support.

AUCTUS CLIENTS WHO INVESTED ON 1 JANUARY 2020 WILL HAVE ACHIEVED A FULL YEAR'S NET RETURN OF **+49.8%**. THIS FOLLOWS ON FROM THE PREVIOUS 4 YEARS OF OUTSTANDING, POSITIVE NET RETURNS.

As a quick synopsis of Auctus' performances compared to Gold and some of the world's stock markets as of the **31st December 2020**

ASSET HOLDING	INVESTED ON 1ST JAN 2016	INVESTED ON 1ST JAN 2019	INVESTED ON 1ST JAN 2020	Direction from the last Newsletter
Auctus - Model 1	**544.37%**	**105.72%**	**34.64%**	⬆
Auctus - Model 2	**894.19%**	**177.94%**	**49.77%**	⬆
Gold	77.37%	48.53%	24.96%	⬆
USA - Dow Jones	85.87%	22.43%	8.32%	⬆
USA - S+P 500	93.59%	38.90%	16.45%	⬆
Singapore - (STI) Straits Times Index *	15.83%	-7.93%	-8.03%	⬆
Australia - S+P / ASX 200 *	38.77%	22.95%	2.95%	⬆
UK - FTSE 100 *	-1.57%	-0.22%	-8.66%	⬆

Note: * *We have converted the indices to performances in US$ equivalent using FX rates as of the dates in question*

NOW THE BIG QUESTION THAT INVESTORS FACE IS:

WHAT IS THE BEST INVESTMENT DIVERSIFICATION FOR MY PORTFOLIO MOVING FORWARD FROM HERE ON INTO 2021 AND 2022?

So, what did we experience in 2020?

Well, the global economy has just experienced the largest falls in global GDP in all of recorded economic history, alongside the exponential rise of global debt. We also see considerable falling income revenues due to extensive business closures combined with costly pandemic government relief measures. Global debt has increased by a staggering US$25 trillion in 2020. By the end of 2020 most mainstream economists expect global debt to easily pass US$277 trillion, or over 365% of global GDP (not including unfunded liabilities). Global government responses to the COVID pandemic have simply accelerated the trend that was already underway.

This is a globally controlled demolition of the world economy that will end up forcing hundreds of millions of people into unemployment - (and it's a good thing we are not conspiracy theorists!). This will become more and more evident through 2021 as the furlough and employment schemes fall away which are presently masking the extent of the unemployment problem.

To put this into focus, we also have a tsunami of US$8.5 trillion of USA

Treasuries alone maturing by the end of 2021. Add to this the gigantic fiscal expansion by the US government, with an expected spending deficit in 2021 of somewhere between US$2.5 trillion and US$4 trillion! Monetary stimulus (money printing) will be truly celestial in size in order to cover this new US$12 -14 trillion of debt issuance and rollover. We then still have the rest of the global economy on exactly the same trajectory of official debt issuance plans all on a mind-bogglingly vast scale.

In August 2020, Central Banks officially announced a new policy framework, effectively a massive overriding policy of co-ordinated QE (money printing) to support the new global monetary system's policy of MMT (Modern Monetary Theory = Fiscal Debt Expansion Extraordinaire). Also world governments are all embracing and implementing the direct non-conventional toolkit called 'debt monetization'. The repercussions of this will be truly spectacular.

It is anticipated, as a result of the above policies, the Central Banks will lose control of the monetary base and more importantly the long end of the debt yield curve, which could cause a debt collapse and rapidly rising interest rates. Even with the aid of technology, heavy government controls and aging demographics in the western industrialized world, this will once again potentially result in inflation, (or to put it more accurately Stagflation) driven by cost-push inflation and the arrival of the great bull super-cycle within the entire commodity complex.

We have passed the global mathematical default integer number (i.e the debt that governments are now racking up will never be repaid), what a truly magnificent time to be an investor in precious metals.

Global Asset Market Valuations?

Over US$18 trillion of global debt as of 4 January 2020 has a negative yielding interest rate denominated in currencies that are also being actively devalued (debased) by official public policy. The holders / investors of these debt instruments are guaranteed significant capital losses as an investment strategy!

We are presently in the largest overvaluation of stocks and bonds in history, combined with serious property market overvaluations. This is without doubt the largest disconnect ever recorded between real world economics and actual asset market valuations. They say “main street and Wall Street have now truly disconnected”.

Traders warn us not to trade using valuations as a timing vehicle and that is correct; however, when looking at your overall portfolio a recognition of extreme overvaluations must be factored into your overall diversification. Invest in undervalued assets and you will outperform the monetary debasement, rather than pouring more money into an overvalued asset class.

The equity run starting in 1981 overlays perfectly with a four-decade super-bull market in bonds (lowering interest rates) in which falling rates were accompanied by greater profits and rising valuations. Global debt is now so overpriced as to be simply ludicrous in any valuation model.

The ”Fed Model” that supports this whole premise is tantamount to saying that the largest bond bubble in history justifies the largest equity valuation bubble in history.

S&P 500 Market Capitalisation / GDP = 176.7% - The highest ever ‘**The Original Buffett Indicator**’ recorded.

PE Estimated Earnings = X 25
(matching the 2000 dot com bubble top)

- Growth stocks are considered cheap or undervalued when they are priced at six times sales and overvalued or expensive at fifteen times sales. They were priced at twenty-three times sales as of September 2020 without factoring in the Covid-19 recession.

- The FAANGs have ridiculous valuations. Facebook, APPL, AMZN, NFLX, GOOG, MSFT have a combined market cap of >US$8 trillion. They are the market. The S&P 500 is now the S&P 6.

- More companies are trading at over ten times revenue than during the dot com mania which ended in 2000.

- 40% of US publicly traded companies have negative net worth.

‘I understand people who bet on moral hazard. I understand people who bet on the Fed backstop. I don’t do it. I don’t think that’s a good way to invest...This notion that it doesn’t matter what happens to fundamentals...It doesn’t matter what happens to corporate earnings... It doesn’t matter what happens to economic growth... because The Fed will buy what I want to buy... That’s the mindset of

the market right now.... Why has the fed continuously conditioned markets to expect them to step in and repress any volatility? Isn't it time to stop doing that because you end up not only undermining the system itself but you undermine the credibility of an institution that is critical to the well-being of this and future generations?" ~ *Mohamed El-Erian, Former CEO and co-chief investment officer of PIMCO.*

ETFs and the impending disaster of fictitious physical backing?

I have personally written about the dangers of investing into precious metal ETFs as they are designed as trading vehicles and not for the purpose of serving as a wealth preservation asset within one's portfolio. This is quite simply because of the design of these vehicles with sub-custodial ownership titles and the enormous re-hypothecation (likely fraudulent in many cases?) that have been built into the small print of the relevant prospectus.

There have been many reports issued in 2020 that the Gold supposedly held in trust for GLD has either been re-hypothecated away or borrowed to fulfil end of financial year reporting, with the latest Chief Financial Officer resigning a day before the end of financial reporting (the 6th CFO to resign in the last 6 years!).

Outright ownership title is absolutely essential considering the global monetary reset we are facing. As our Auctus Metal Portfolios clients all know, we provide this surety in abundance by way of wholly segregated and fully allocated 3rd party vaulting for precious metals.

The present is a time *not* to take unnecessary risks and rather invest with those who are focused on making sure client's investment portfolios are backed by *real* and *tangible* assets.

PRECIOUS METAL FUNDAMENTALS AND PRICING VALUATIONS

We saw a glimpse of what can happen when the market demand for precious metals overwhelms the physical market, in the 2nd quarter of 2020.

Gold (Au)

Comex started breaking records for demands of physical delivery while Covid-19 created severe sourcing and logistical problems. Approximately 550 tonnes bled from Comex, causing the price of Gold futures and the spot price of Gold to trade with very dramatic spreads. The futures-spot spread on the London Bullion Metals Exchange (LBMA) blew out, with an ensuing bank-led scramble to 'change the rules' to manipulate what precise form of Gold can be delivered. The demand for physical was unprecedented and numerous analogies to the Gold rush of 1968 (against the cartel of the London Gold Pool) were drawn.

Gold IS money, having been re-classified as such by the global banking system in 2019. If Gold is accurately priced in currency terms, then surely having observed the largest global increase in printed currency (QE) in history, and with Gold still trading below its 2011 highs, Gold is very clearly undervalued. Even the likes of Bank of America and Goldman Sachs are predicting US$3,000/oz within the next 12 months or so, while the arch Gold 'bear' Warren Buffett bought heavily into Barrick Gold mine in 2020.

OECD M3 (**Broad Money Supply**) has doubled since 2011
OECD M1 (Narrow Money Supply) has tripled since 2011
Major Central Banks' balance sheets have tripled since 2011 through money printing.

This is irrefutably a policy of active currency depreciation that we are staring at here.

SILVER (Ag)

Silver has been earmarked as a top performer in 2021 by a number of leading financial institutions. Silver is still trading at roughly -50% of its 1980 highs (and also 2011 highs) with the global fall in mine production entering its 5th consecutive yearly contraction in 2021. Added to this is an expansion in industrial demand for this essential metal which is a central commodity in the explosive new 'Green Economy' and which makes the investment thesis for this metal extremely attractive.

In December 2020 Saxo commented..."*2021 brings the usual suspects that power silver higher on its hard asset / precious metal side as the US dollar weakens, and as investors are faced with the harsh reality of no relief in sight from negative real interest rates. This is exacerbated as inflation suddenly jolts higher in 2021 and policymakers are slow to respond, wanting to offer maximum support for their still-recovering economies. With a Covid-19 vaccine in rapid roll-out by the middle of the year, the excessive liquidity and over-easy policy drives a powerful bid into any hard asset.*

Turbocharging the rise in the silver price in 2021, even relative to Gold, is the rapidly rising demand for silver in industrial applications, especially those driving the green transformation such as photovoltaic cells used in solar panel production. In fact, a real silver supply crunch is on the cards in 2021, and it frustrates the full throttle political support for solar energy investments under a Biden presidency, the European Green Deal and China's 2060 carbon neutral goal, among other initiatives".

PLATINUM (Pt)

Platinum was trading at 125 year lows versus Gold in 2020, with Gold and the Platinum Group Metals (PGMs) such as Rhodium, Palladium, Ruthenium, Iridium and recently Silver all appreciating quite markedly. Platinum has however gone ignored and somewhat unloved. Until now of course...

We have seen a revolutionary change in this metal and its fundamentals recently, with industrial demand rising very dramatically caused by new draconian global pollution controls. Coupled with the re-weighting out of Palladium into Platinum in catalytic converters. We also then have the new hydrogen fuel cell economy, with green hydrogen production and fuel stacks requiring Platinum as the essential catalyst. This has all positively changed Platinum's demand picture moving forwards.

Alongside the fast-growing industrial demand picture we are actively monitoring a serious ore-grade degradation in Platinum production and falling mine supply (COVID responses have wreaked havoc in mine production in South Africa).

We are clearly seeing a structural supply / demand deficit in Platinum building and by 2022 onwards this deficit will grow in size year on year. This is the first structural deficit seen in Platinum in over 50 years' worth of global data.

CONCLUSION

Considering we are experiencing the largest global monetary debasement event in history which we expect to continue to pick-up momentum over the next 2 years, the solution to wealth preservation is hard physical assets. Hard physical assets with limited supply and well-established industrial usage and dynamic demand curves, that support very strong investment demand is quite simply essential.

We are expecting very significant revaluations in precious metals with each metal driven individually by its own positive macro story and dynamics.

Auctus Metal Portfolios' mandate is to produce a significant alpha return over and above Gold, with zero leverage in fully owned and audited physical metals as an overall portfolio diversification strategy, taking advantage of unique opportunities through active portfolio management throughout the year.

Everything has been accelerated and pushed far beyond even our own expectations as a result of worldwide government responses to Covid-19. Once all these furlough schemes fall away, unemployment will become a massive long-term issue that governments need to face. They are already publicly announcing their policy direction in the form of the enormous new infrastructure builds to support the new age, all of which will be financed by further money printing. This is all very positive news for precious metals investors indeed.

We do expect quite significant deflationary forces to come to fruition in 2021, followed immediately thereafter by the cost-push inflation in year 2022 (Stagflation).

With significant new client investment inflows and continued excellent portfolio performance as a function of our client's optimal weightings across the metals, we have never been more confident that Auctus Metal Portfolios is where a significant part of your investment portfolio should be.

For further information,
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AUCTUS
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