

Metal Portfolio Weightings

Pie Charts - 'Cautious', 'Balanced' and 'High' Growth Profiles

By David Mitchell

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Information Note on Methodology

Firstly I need to note this is based on valuations done on the 5th March 2018, as metals move going forward these portfolio mixes have to be re-adjusted dependent on changing valuations and supply / demand developments. *This is very much my opinion on the mix held, based off a great deal of analysis and study over a long time period.*

Now you may well note that for a low-risk metal portfolio breakdown looking for outward performance we still have a rather high weighting to Platinum and Silver, this is simply because you have to frame it in your mind that once a decision has been made to invest a portion of your assets into precious metals, then gold is your primary barometer of that holding.

You value all metals and products against the barometer of gold.

Comparing historical ratios of "Platinum v Gold" or "Gold v Silver" price ratios, we are in fact at all time historical value ratios, hence we have given an equal weighting of platinum, silver and gold but then weighted them on implied volatility.

This risk of holding platinum and silver versus gold has rarely been this attractive.

Cautious Risk Metal Portfolio

Just looking at the low risk portfolio, we have decided to be somewhat more scientific with our weightings and hence priced in the weighting according to the current volatility of a "1 year at the money" option, with the lower Volatility being reflected in a higher portfolio weighting. Implied Volatility = 'IV'

So option volatility as of 6th March 2018 is worked into the weightings to produce the pie chart below.....

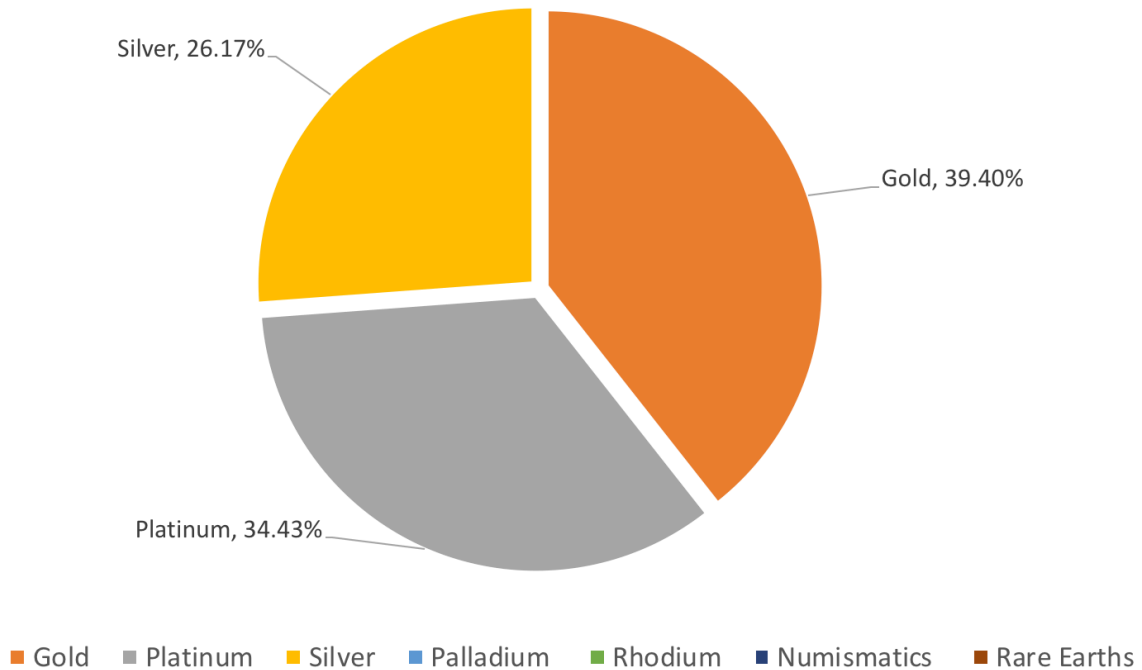
Gold Implied Volatility = 12.55%

Platinum IV = 14.36%

Silver IV = 18.89%

Hence:

**Low Risk Metal Portfolio
Weighted by Implied 1 Year 'at the money' Volatility**



**Asset Allocation Weighting For Low Risk Portfolio
Volatility Weighting**

<https://www.barchart.com/futures/quotes/GCJ19/volatility-greeks/mar-19>

<https://www.barchart.com/futures/quotes/SIH18/volatility-greeks/mar-19>

<https://www.barchart.com/futures/quotes/PLF19/volatility-greeks/jan-19>

This portfolio over-weights less volatile assets and under-weights more volatile assets.

Example: Let's say that we have 3 stocks A, B, and C which each have volatilities 5%, 10%, and 20% respectively. Then,

$$k_t = 1 / [1/5 + 1/10 + 1/20] = 20/7$$

Then weighting (w) is calculated as.....

$$w_A = \frac{20}{7} / 5 = \frac{4}{7}, w_B = \frac{20}{7} / 10 = \frac{2}{7}, w_C = \frac{20}{7} / 20 = \frac{1}{7}$$

So stock C, with the highest volatility, gets the lowest weight at 1/7; while stock A with the lowest volatility gets the highest weight at 4/7.

Balanced Risk Metal Portfolio

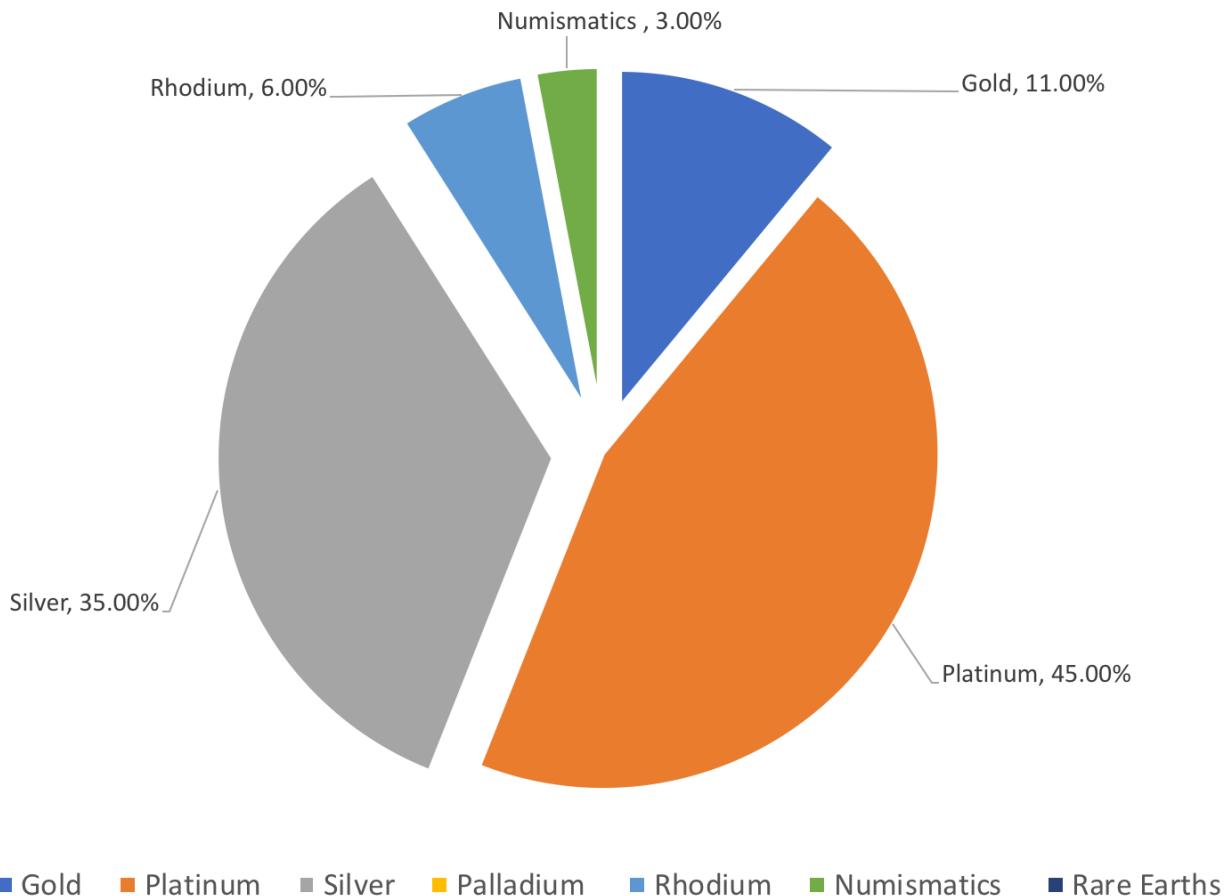
We have taken a stronger look at present valuations and re-weighted platinum in particular against gold considering its extreme historical undervaluation.

Rhodium makes an appearance and while it has performed spectacularly (since we first advised in January 2016) over the last 18 months to 2 years, rising by over 300%; we have taken a long hard look at this metal and its future prospective price targets, and we very much still wish to hold this metal over the next 2 to 5 years.

Silver is the most unloved of all the metals presently, a high degree of cynicism and disinterest is extremely prevalent. But as I have noted in my recent posts, Silver is actually an extremely exciting prospective investment strategy at this time.

Numismatics - This may not be everyone's 'cup of tea', but when the metal complex is revalued small liquid coins of rarity increase their rate of return over and above the gold (as your barometer). Please ask for advice here.

Medium Growth Metal Portfolio



Higher Growth Profile Metal Portfolio

I would not state that this portfolio mix is of high risk, more of an understanding that rare or should I say 'strategic industrial metals' are making on the landscape in not only of vital strategic importance but of actual price appreciation.

I could easily list a number of metals with outsized returns, but just looking at Ruthenium which we have been buying on behalf of clients, we have seen over a **+ 350%** return in the last 6 months alone.

High Growth / Risk Metal Portfolio Strategy

