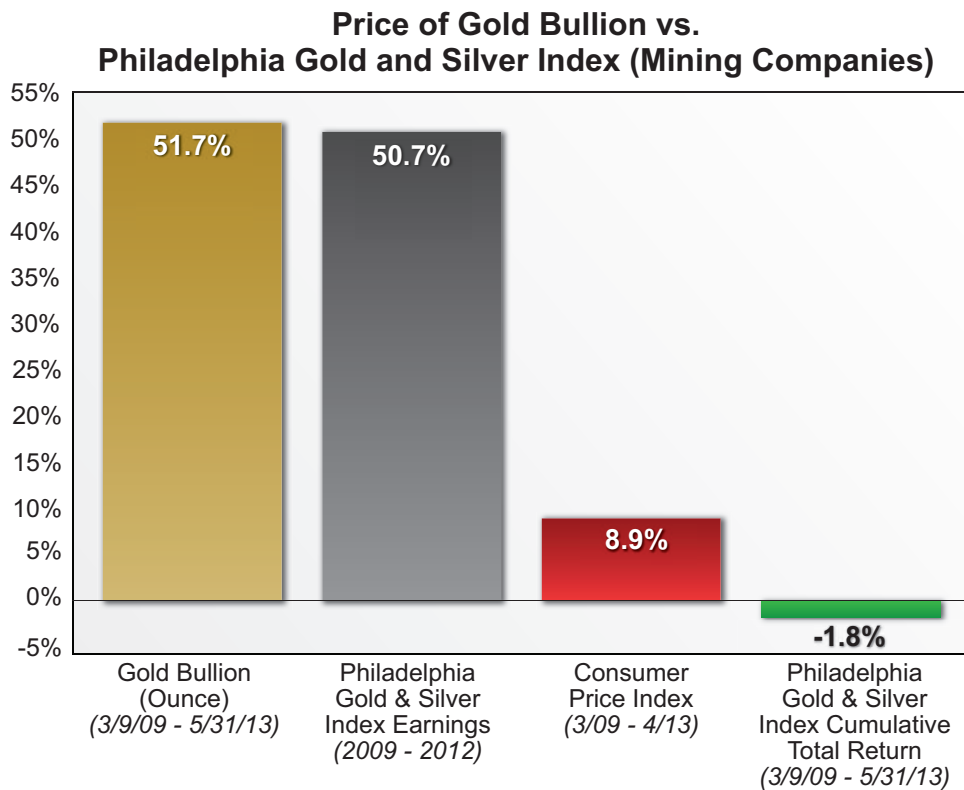


Only Half Of This Story Is As Good As Gold



Sources: Bloomberg & Bureau of Labor Statistics

View from the Observation Deck

1. The bull market in stocks has been intact since 3/9/09. The last recession in the U.S. ended 6/30/09, according to the National Bureau of Economic Research.
2. While the rally in gold bullion is a decade old, its price per ounce jumped 51.7% in the current bull market (3/9/09-5/31/13).
3. The gold mining companies posted solid earnings growth from 2009-2012. The companies in the Philadelphia Gold & Silver Index saw their earnings increase by 50.7%.
4. That is the half mentioned above that is as good as gold (bullion). The share prices of the respective constituents in the Philadelphia Gold & Silver Index, however, actually declined by 1.8%.
5. As we have noted in previous posts, retail investors have overwhelmingly favored income-producing securities, such as bonds and dividend-paying stocks, over the past five years.
6. While it is common for gold mining companies to distribute dividends to their shareholders, yields tend to stay low enough where they would not likely catch the eye of your average income investor, in our opinion.
7. The introduction of ETFs in recent years that directly invest in gold bullion have been extremely popular with investors, particularly those with short or limited time horizons.
8. After all, inflation has been negligible. Gold has traditionally been known as an inflation hedge.
9. We believe that the stocks of gold mining companies offer investors a deep value opportunity at current levels.
10. Bloomberg currently puts the estimated earnings growth rate (y-o-y) for the Philadelphia Gold & Silver Index at 26.7% for 2014.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results. The Philadelphia Stock Exchange Gold & Silver Index is a capitalization-weighted index which includes the leading companies involved in the mining of gold and silver.