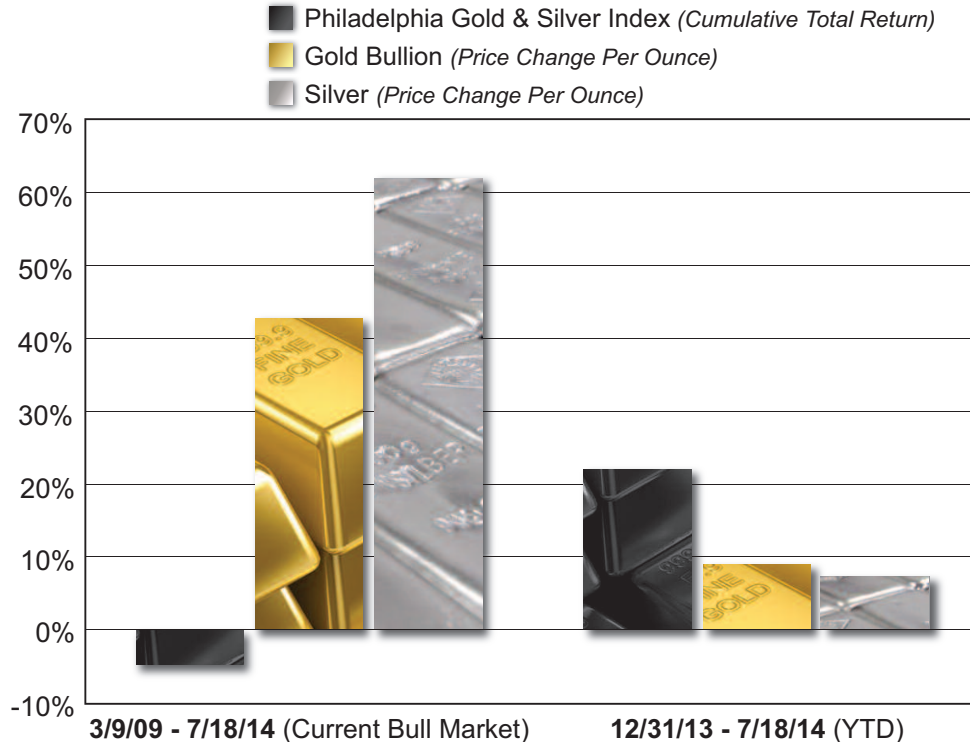


# It Looks Like Gold & Silver Miners May Finally Be Joining The Bull

## Gold & Silver Miners vs. Gold Bullion and Silver



Source: Bloomberg. Past performance is no guarantee of future results.

## View from the Observation Deck

1. Precious metals miners have not participated in the bull market that began on 3/9/09 (see chart). The Philadelphia Gold & Silver Index was actually down 4.78% (cumulative total return) from 3/9/09 through 7/18/14.
2. The miners, however, are off to a great start so far in 2014, with a total return of 22.04%, as of 7/18 (see chart). Gold bullion and silver were up 8.91% and 7.30%, respectively, over that period.
3. One of the things that makes 2014 different than in recent years is the guidance from the Federal Reserve. The Fed has been tapering its monthly bond buying program since the start of the year.
4. The Fed just recently announced that it would end its bond buying, also known as phase three of its quantitative easing strategy (QE3), in October 2014. An indication that the U.S. economic recovery is more self-sustaining.
5. Investors have funneled capital into gold bullion and silver in recent years, either directly or via ETFs, but we believe that a good percentage of the flows were in response to geopolitical events, not a serious fear of higher inflation.
6. While the Consumer Price Index (CPI-Headline Rate) stood at 2.1% in June 2014, the most recent three-month annualized rate was 3.5%. The CPI has averaged 3.1% since 1926.
7. Higher inflation, especially if it is sustained, could provide a much needed spark for the miners moving forward.
8. As is, Bloomberg's 2015 earnings growth rate estimate for the Philadelphia Gold & Silver Index was 41.34%, as of 7/22.

The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment. The index performance data excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The Philadelphia Stock Exchange Gold & Silver Index is a capitalization-weighted index comprised of the leading companies involved in the mining of gold and silver.