

From the Desk of Jeff Clark,  
senior precious metals analyst at Casey Research...



# How Big Investment Funds Are Buying Gold for \$911.62/oz

**(Even though it's selling for nearly twice that...)**

**The smart money is using a little-known anomaly in the metals market to buy deeply discounted gold – while everyone else pays exorbitant prices. Keep reading to discover what this anomaly is... and how you can use it to protect and grow your wealth.**

Dear Fellow Investor,

The number-one question people ask me – and just about every other gold analyst – is...

“Should I buy gold now or wait for the price to come down?”

Maybe you’ve wondered about it yourself.

The short answer is, even though gold’s well over \$1,700 an ounce as of this writing, now is a good time to buy.

We’ve all seen gold’s big run-up. And it’s not surprising that investors are flocking to gold when you consider how worried they are these days about worldwide inflation... the European debt crisis... S&P’s downgrading of America’s credit rating... the volatility in the world’s financial markets.

And even though these and other troubling issues will keep the bull market in gold going strong, there’s an even better profit opportunity than buying the metal itself.

It’s an opportunity that the big investment funds are exploiting, which can get you into the

yellow metal for as little as \$911.62 an ounce.

They're doing this by leveraging a market anomaly that practically *guarantees* healthy gains.

## **An unusual situation is allowing you to get into gold at a steep discount**

Right now you can get positioned in the gold market at more than *45% under the current spot price of the metal*.

Precious metals analysts like myself – along with many highly respected institutional, hedge, and mutual fund managers – credit this to an anomaly in the precious metals market: Gold and silver mining companies are seriously undervalued relative to the price of the metals themselves.

This has created a rare profit opportunity that is unlikely to last very long.

## **Big institutional and mutual fund managers are urging their clients to buy gold miners**

Bank of America and Merrill Lynch analysts recently told their clients that gold stocks are severely undervalued and reflect gold prices of over a year ago, when they were 20-25% less than they are today.

But that assessment is based on an overview of the entire mining industry. I'm watching a select group of mining stocks that are even *more* undervalued relative to the price of gold – and they're offering some of the best profit opportunities I've seen in years.

Frank Holmes, chief investment strategist for U.S. Global Investors, agrees that gold producers have huge upside potential: "There is a substantial opportunity to buy healthy gold mining companies at historically low prices compared to gold..."

So does John Hathaway, portfolio manager for Tocqueville Gold Fund, who claims gold stocks have "tremendous catch-up potential" to the price of gold.

The point is professionals who analyze the precious metals industry, as well as big fund managers, recognize there's an unusual divergence between the price of gold and mining

Our analysis suggests that most of the gold producing companies appear undervalued... we recommend an overweight position in gold equities as the summer wanes and we head into the fall season, traditionally a great time to own gold companies."

**Dundee Capital Markets**

company shares.

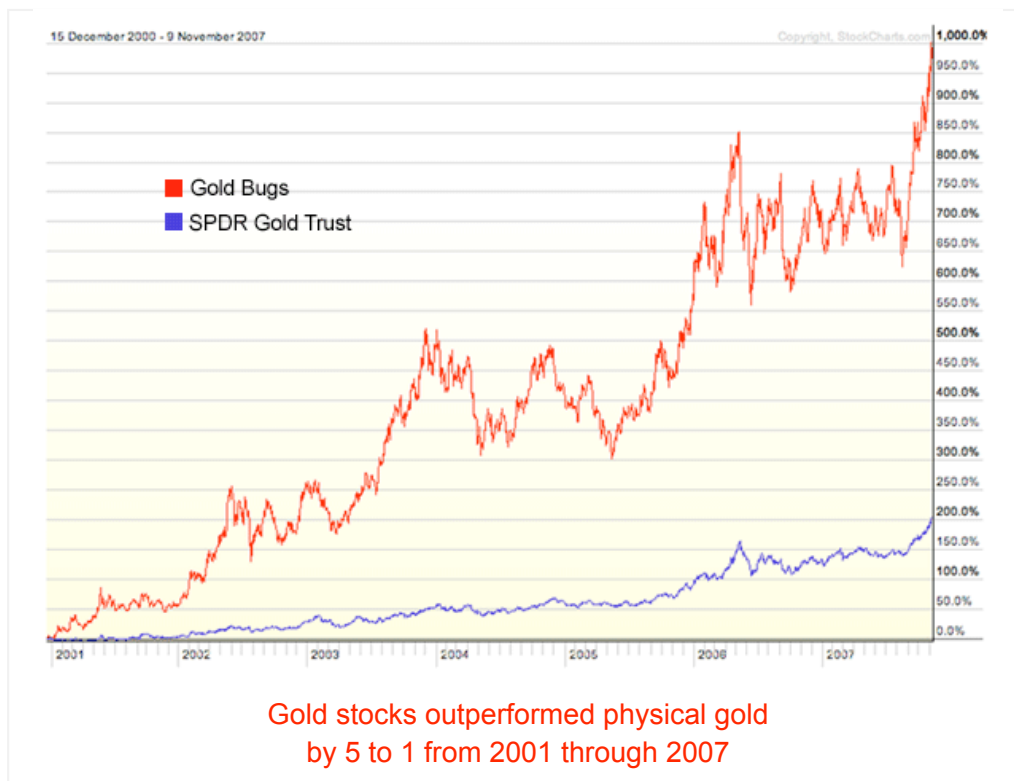
This divergence shows that shares of gold companies are severely lagging the price of gold... and should be *much* higher.

That's why the experts are urging investors to immediately get into gold and silver equities. They know the current situation presents a strong likelihood of outsized gains... gains that could be life changing.

## A once-in-a-decade buying opportunity that can give your portfolio a major boost

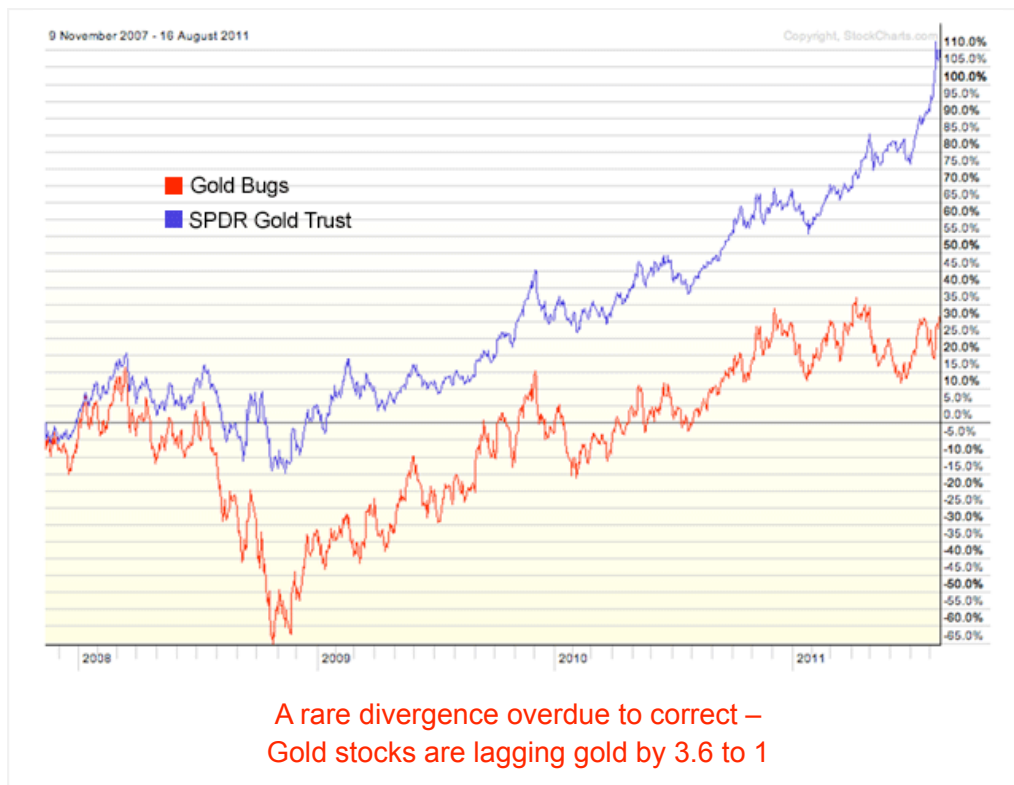
Mining stocks typically outperform gold by 3 to 1. And from 2001 to near the end of 2007, they did even better, outgaining it by 5 to 1.

The chart below illustrates this point. It compares gold producers, as measured by HUI (the Amex Gold Bugs Index, shown by the red line), to the SPDR Gold Trust ETF (GDL, in blue), which is designed to track the price of gold:



But it's totally different today – this historical trend has completely reversed. Gold is now outperforming mining companies by a 3.6-to-1 margin, opening up a rare profit opportunity.

The following chart – again comparing gold producers, as measured by the Amex Gold Bugs Index in red, to physical gold tracked by the SPDR Gold Trust ETF in blue – provides a stark illustration...



## A rare divergence overdue to correct – Gold stocks are lagging gold by 3.6 to 1

While there's no guarantee this divergence will reverse course, I'm convinced that it will.

Will gold stocks revert back to the historical norm of outperforming gold 3 to 1? Or will they do even better, like they did from 2001 through 2007, when they outshined gold 5 to 1?

No one knows. But consider this – even a reversal to a 1-to-1 ratio would give you significant gains.

An improvement to 2 to 1 would give your portfolio a nice shot in the arm.

And if the ratio returns to the historical norm of 3 to 1, or shoots up to 5 to 1 (like it did from 2001 through 2007), you'd be sitting on gains that could literally change your life.

Tocqueville Gold Fund Manager John Hathaway sums up how the experts feel about the situation:

I'm looking for gold stocks in general to be re-priced over the next several months... Mining stocks will be producing great earnings, while the rest of the economy is stalling out... That to me will be very positive for mining stocks...

Yes, right now gold stocks are selling at bargain basement prices.

This is especially evident when you calculate the price you pay for gold when you invest in a

mining company (of course you're purchasing a stake in a mining company's assets – including its gold reserves – when you buy stock; you're not actually buying physical gold).

## A formula to calculate your gold price when you buy a gold mining stock

The secret to understanding the value of a gold mining company is to start with the number of ounces it has in the ground (a public number accessible to all of us), and simply divide that number into its market cap.

Let's take Kinross Gold Corporation (KGC), one of eight gold miners I have in my portfolio. As of this writing, it has a market cap of \$18.821 billion, with 62.4 million ounces of gold reserves.

By dividing the number of ounces into the market cap, we get a figure of \$301.62.

To this total we add the company's cost to dig each ounce of gold out of the ground. In the case of Kinross, that's \$610. That makes the final figure \$911.62 – the cost per ounce of gold you pay for buying Kinross stock.

$(\$18.821 \text{ billion} / \$62.4 \text{ million} = \$301.62; \$301.62 + \$610 = \$911.62)$

This represents a 49% discount to the current price of gold itself (based on the August 16 close of \$1,787.10).

Here's a look at the other seven gold stocks I'm holding, using the same per-ounce method of calculation:

### **Price per Ounce** (as of August 16, 2011)

<b>Gold Company A - \$809.50</b>	<b>Gold Company B - \$954.57</b>
<b>Gold Company C - \$971.50</b>	<b>Gold Company D - \$972.78</b>
<b>Gold Company D - \$972.78</b>	<b>Gold Company F - \$1,168.88</b>
<b>Gold Company G - \$1,272.08</b>	

Obviously, there's a lot of value in these companies – and significant disparity in the cost-per-ounce of gold among them. Part of this disparity comes from future cash flow expectations, as well as the time and cost of mining the gold (mining costs average around \$557 per ounce industrywide, but they can vary considerably from producer... and we tend to favor the lowest-cost producers).

There are other factors to consider, such as the political climate of the countries where mining operations are taking place, and the company's financial health (or lack thereof).

While these are important considerations, the main point to understand is that gold mining stocks are selling at an historic discount right now – and this is giving you an outstanding

opportunity to profit.

HSBC Global Asset Management certainly sees it that way.

They reportedly sold most of their physical gold holdings and bought gold shares...

Gold equities will remain under pressure while investors remain fearful, but once investors feel that the risk of another leg down in general markets passes, or after a downswing in the markets, we feel the gold equities will do some catching up.”

### **HSBC Global Asset Management**

Here’s something else you should know – gold miners aren’t the only sector of the precious metals market poised for big returns...

## **Silver miners are on sale, too**

Let’s apply the same formula I used for Kinross to Pan American Silver (PAAS), another company I’m holding.

Pan American Silver has a market cap of \$3.265 billion, and 230.7 million ounces of silver reserves. That gives you a total per-ounce price of \$14.15. Since it costs the company \$9.19 to mine silver on a per-ounce basis, we add \$9.19 to the total.

The result: By investing in this company, you’re getting into silver at \$23.34 an ounce – a far cry from the August 16 close of \$39.91.

$(\$3.265 \text{ billion} / \$230.7 \text{ million} = \$14.15; \$14.15 + \$9.19 = \$23.34)$

Another silver mining company in my portfolio is effectively giving shareholders a per-ounce price of \$22.12.

As is the case with gold miners, I’m not the only metals analyst who believes there’s considerable profit potential in select silver producers as well.

Silver Is Way Undervalued Compared  
With Gold”

**CNBC’s “Fast Money”**

Andrew Kaip, a precious metals analyst for BMO Capital Markets, is recommending that investors seek out sound silver equities because they’re undervalued to the underlying price of silver (he especially likes companies with a good number of operations already in place).

Here’s what he had to say during an interview with *The Wall Street Transcript*:

BMO covers about 55% of global silver mine production, so we’ve got a good

handle on where we see production growth moving forward... Our analysis suggests that for the next couple of years silver should benefit from robust industrial demand growth, as well as strong and sustained investment demand. We see a mine supply deficit... through to the end of 2012.

As Kaip and other experts keep stressing, right now you have an outstanding opportunity to get positioned in the precious metals sector. Through buying select mining companies, you'll effectively get deeply discounted gold and silver.

But this opportunity will be available only as long as the divergence I talked about remains in place – a situation I doubt will last much longer.

And there's another factor that is likely to cause a rise in the metals markets that you need to know about...

## **Gold and gold stocks tend to strengthen in the fall**

The reason is Asian demand – especially in India and China – typically boosts gold prices in the fall.

Fall is the Indian season for marriage, and its impact on gold prices is immense because the wedding gift of choice is often gold jewelry or gold coins.

During the Hindu Diwali festival, also in the fall, gold coins are especially popular because they're considered good luck – people use them during the festival while worshipping.

And when you consider that India has a population of 1.15 billion – with millions of weddings, Diwali, and about a dozen other Hindu festivals every fall – it's no wonder Indians buy so much gold.

According to the World Gold Council, total gold demand in India last year was 963 tonnes, out of a worldwide total of 3,812.2 tonnes – that's 25.26% of total worldwide demand, making India the number-one gold consumer in the world. Most of this gold is in the form of jewelry, which is both used for investment and adornment (there is little distinction between gold as investment and gold jewelry in India).

Indian gold demand is expected to accelerate, according to Minerals and Metals Trading Corp's Ved Kumar Prakash. He reported that gold demand in India is "skyrocketing," and predicted – given his company's brisk sales – gold imports would jump by more than 40% this fiscal year.

## **The red dragon's ravenous appetite for gold**

India isn't the world's only mass consumer of gold. China is the second-largest gold buyer in

the world, but at its current buying pace it may overtake India by 2014.

It's hard to overstate the role China plays in gold's current bull market. Nearly 16% of global gold demand went to Chinese households between July and October 2010, rising from 14% the previous year.

Overall, total consumer demand for gold in China totaled 579.5 tonnes in 2010, a rise of 27%.

While India is the world's largest consumer of gold, China is the largest market for gold coins and bars, according to the World Gold Council. In 2010, Chinese demand for gold as an investment surged 70%, totaling 180 tonnes.

As in India, gift-giving in China plays a huge role in increased demand. Unlike in years past, Chinese families tend to give each other gifts of gold instead of traditional red envelopes stuffed with cash.

A big reason for this change is that the Chinese government deregulated the gold market in 2001, making it far easier for Chinese citizens to buy gold.

In fact, the government of China actually *encourages* its citizens to purchase gold and silver, unlike Federal Reserve Chairman Ben Bernanke, who says gold isn't money and discourages Americans from buying it.

With all this demand from India and China, it's easy to see why gold prices typically get such a huge boost in the fall.

And with gold producers lagging physical gold, it's equally easy to understand why Raymond James, Canada is urging its clients to buy select miners now:

We recommend investors take advantage of the strengthening precious metal prices by accumulating gold and silver equities ahead of the typical fall rally.

And here's another reason for the autumn boost in gold: Trading volume tends to increase after brokers and investors return from their summer vacations (this extra push can be substantial).

As a result, gold gets a double dose of enthusiastic buying in the fall – from returning brokers and investors, and gold-hungry Asia.

## **The time to get positioned in gold and silver miners is Now – before autumn Asian buying kicks in**

A reversal in the divergence between the performance of gold miners and gold itself could happen at any time. It wouldn't surprise me at all if this fall's Asian gold buying season triggered it.

There are many other scenarios that could trigger a reversal as well – another round of



massive U.S. debt buying by the Federal Reserve... the default of a deadbeat eurozone country on its debt... an escalation of central bank gold buying... a new war. Any one of these scenarios could be enough to send gold company shares flying.

If you're on the sidelines when that happens, you will effectively have lost your chance to get gold at a steep discount.

Of course, you can't just buy any old gold or silver stock and expect to make money. While the simple formula I outlined above gives you a feel for the profit potential sound gold miners offer, there's *much* more to evaluating a gold company than just dividing its market cap by its gold reserves.

How sound is the company's management?

How successful has it been at turning promising properties into producing mines?

Does the company have the capital – or access to it – to pursue its development plans?

Failing to get answers to questions like these before investing in any mining company is a recipe for disaster.

Fortunately, you don't have to do all this work yourself.

## Why you should pay attention to what I have to say about precious metal mining companies

I'm Jeff Clark, senior precious metals analyst for Casey Research and editor of **BIG GOLD**, a precious metals advisory.

You might say gold mining runs in my blood.

I've worked gold claims on my family's land in California and Arizona (as well as a mine in a place that I'll never reveal).

These days I spend my time tracking the market forces behind gold, as well as silver and other precious metals.

As a result of my experience, I have an insider's understanding of the gold industry and what it takes to make a mining operation profitable. But more important to you, I know how to use my understanding to find profitable investment opportunities others often overlook.

I just put together a special report that shows you exactly what I do to find the best gold and silver stocks.

It's called ***The Bargain Buyer's Guide to Gold and Silver***, which features three companies that I feel are in outstanding positions to reward you with solid gains in the coming weeks and months.

In this report – which is free for you – I reveal everything you need to know about these

companies, including:

Detailed information about the management teams and why they're a cut above the competition

Where their producing mines are, what projects are in development, and how they're leveraging gold and silver for maximum profit

How they're promoting themselves

The state of their finances

Details about their share structures

What they've got going for them that's likely to boost share prices

And much, much more... *including their ticker symbols.*

Right now I'd like to give you a little information about these companies...

## **Bargain Buyer's Pick #1** | **a Mid-Tier Gold Producer that's undervalued by 34%**

This outfit is one of the lowest-cost gold producers around, with operating mines in China and Turkey. It has several more in development and is led by a man with over 55 years' experience in the mining industry.

By 2015, it's expected to increase production by 150%, to over 1.5 million ounces.

This is also a very conservative company...

It's set up to be profitable even if gold prices drop 75%

All exploration projects will be paid for by current cash flow

It has more cash than debt

It pays a dividend

And based on the formula I outlined earlier in this letter, buying this company is like getting gold for \$954.57 per ounce.

## **Bargain Buyer's Pick #2** | **a Canadian Silver Producer with a big presence in China**

If you want to succeed in China, you need a well-connected management team. And that's exactly what this company has...

Its CEO has already been a part of four silver and gold discoveries in

China and is a powerful member of the Canada-China Business Council and the Canada-China Business Association

The company president has worked for numerous mining companies in both China and Canada

The board of directors includes a former ambassador to China and a man who helped develop current mineral resource laws in China

This company is also the lowest-cost producer among its peers, has increased production 72% in 2010 over 2009, and is on track to acquire significant new development projects.

Like ***Bargain Buyer's*** Pick #1, it also pays a dividend.

**Bargain Buyer's  
Pick #3**

**a Gold Royalty Company  
led by a management team with  
100+ years of experience**

There's more than one way to skin a cat – or in this case for a mining company to make money on gold. This outfit generates cash by getting a percentage of profits from gold miners, rather than actually mining the metal itself.

In other words, it's a royalty company (but it's **not** Royal Gold).

Right now it has...

Over two dozen royalty arrangements with a host of precious metals miners from all over the world (most of which come from politically stable countries)

Royalties from oil and gas producers

20 future royalties locked up with potential revenues of over \$2 billion

Plus it has plenty of cash, no debt, and a management team with over a century of experience – making it a stock that could yield substantial profits, even if the divergence between gold and gold mining companies persists (which I doubt).

***The Bargain Buyer's Guide to Gold and Silver*** has all the details about this stock and the other companies I just told you about.

## **How to get *The Bargain Buyer's Guide to Gold and Silver* for Free**

All you have to do is try a risk-free, three-month trial subscription to my ***BIG GOLD*** precious metals advisory service. If you're not completely satisfied – for any reason – simply cancel within those three months and we'll refund every penny you paid – swiftly and with no

hassle.

Plus you get to keep – and profit from – ***The Bargain Buyer's Guide to Gold and Silver***.

**BIG GOLD** belongs in every serious investor's arsenal. It features only the best mid- and large-cap precious metals and natural resource producers, plus ETFs, mutual funds, and more.

But you get much more than just stock picks in **BIG GOLD** – there's enlightening interviews with precious metals experts... hot-off-the-presses updates on the latest trends in the mining sector... timely feature articles that introduce you to the movers and shakers in the mining industry... and much, much more.



## **BIG GOLD – your guide to profitable precious metals investing**

Here's a sampling of some monthly features that have appeared within the last year in **BIG GOLD**:

**How to Buy Gold for \$100 a Month** If you're looking for an easy-on-your-wallet way to buy gold, look no further. This timely piece reviews several firms that allow you to buy gold in per-gram increments from monthly checking account deductions that can be as small as \$100 (they even store your gold for you and can arrange for delivery)

**The 2011 Silver Buying Guide** Features a candid interview with Andy Schectman (of bullion dealer Miles Franklin) about the current state of the bullion market, as well as expansive charts that survey the entire silver market landscape (you won't find these charts anywhere else)

**Should We Buy Rare Coins?** Reveals the three things you must know to accurately gauge the value of collectable coins, as well as an interview with Val Simmons, co-founder of PCGS, a professional coin-grading service with over 1,300 authorized dealers that have graded over 19 million coins with a declared value of over \$20 billion

**Royalties Happen** Why investing in companies that receive royalties from gold miners can be even more profitable than owning the miners themselves – and what you MUST watch out for in a royalty company before you invest

You get access to these features, as well as every article that's ever appeared in the four-year

history of **BIG GOLD**, when you subscribe today.

And remember, with **BIG GOLD**, there's absolutely no risk to you – and plenty of opportunities for reward.

**There's no risk** because if you don't like it, just let the Casey Research staff know within the first three months and I'll make sure you get your money back. And if you request a refund after three months, you'll get reimbursed for all remaining issues left on your subscription.

The bottom line is you get a full 90 days to try **BIG GOLD** risk-free – and even if you ask for a refund, you get to keep **The Bargain Buyer's Guide to Gold and Silver** – and profit from its recommendations.

**As for the rewards, consider...**

## **The current BIG GOLD portfolio is up 54.48% – and we're just getting started**

As I write this, we have 22 open positions, with 21 in positive territory – *that's a win ratio of 95.45%*. And even with the portfolio's one losing position – down 11.7% – **BIG GOLD** members still come out way ahead.

Take a look at some of the winners...

A gold trust – up 154.11%

A silver trust – up 92.3%

A gold producer – up 191.41%

A silver producer – up 79.75%

We're also sitting on gains\* of 64.44% from a gold producer, 103.37% on a silver ETF, and 117.17% from another gold producer. And considering that gold miners' profits are lagging behind those of the metal itself, we're confident that the best gains are just ahead.

**\*Gains as of Aug. 10, 2011**

And with the Asian seasonal buying just around the corner – not to mention the likelihood of the closing of the gold/gold miner divergence – we're looking to expand on these gains substantially.

## **Try BIG GOLD today and save \$50**

Right now you can get **BIG GOLD** delivered to your inbox every month for only \$79 per

year, a savings of 38% off the regular price of \$129.

Here's what you get when you give **BIG GOLD** a risk-free try today:

One year – 12 monthly issues – of **BIG GOLD**.

Access to the complete **BIG GOLD** portfolio, with all my current recommendations and buy prices.

24/7 access to my extensive archives going back over four years.

A subscription to our free daily newsletter, **Casey Daily Dispatch**.

Plus, I'll immediately email you my free special report, **The Bargain Buyer's Guide to Gold and Silver**.



You get all this for only \$79 – a price that's locked in for as long as you remain a subscriber.

And rest assured, your trial subscription to **BIG GOLD** is completely risk free. You can cancel any time within the first 90 days for a full refund – plus you get to keep **The Bargain Buyer's Guide to Gold and Silver** just for giving **BIG GOLD** a try.

Now's the time to start profiting in gold, silver, and other precious metals – and there's no better way to do that than to hitch your wagon to the companies that mine it.

So get on board today and get your share of discounted gold (while you still can).

Yours,

Jeff Clark,

Editor, **BIG GOLD**

P.S. Remember, you have a full 90 days to see if **BIG GOLD** fits with your investment strategy.

Read **The Bargain Buyer's Guide to Gold and Silver**. Paper trade it or add a few picks to your portfolio.

If at the end of 90 days you're not completely satisfied with my research and recommendations, if you're not convinced **BIG GOLD** is helping you uncover outstanding

opportunities in gold and silver miners, just give us a call. Our friendly customer-service staff will provide you with a prompt, courteous refund.

And keep *The Bargain Buyer's Guide to Gold and Silver*, with my compliments.

All the risk is on us, so why not give **BIG GOLD** a try?

P.P.S. The divergence between gold and gold miners is very likely to reverse course in the near future. As Sprott Asset Management's Chief Investment Strategist John Embry says:

They [gold and silver equities] haven't moved up a lot with gold and silver... it's going to be like Internet stocks in the '90s, except the mining stocks are going to have real fundamentals.

Don't miss out on the 21st-century gold rush – get positioned now and make 2011 your portfolio's top-performing year.

**Get Your Risk-Free Subscription Now  
and Save \$50!**

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