

# ABSOLUTE WEALTH PRESERVATION

To learn more about how to buy **BMG BullionBars**,  
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**THE UTMOST IN PROTECTION  
FOR GENERATIONAL WEALTH**



BULLION  
MANAGEMENT  
GROUP INC.

ABSOLUTE-EN: 12.2011

**BMG BullionBars**  
SECURE • COST-EFFECTIVE • CONVENIENT



*BMG BullionBars provide the utmost in privacy and protection in order to meet the most rigorous standards of wealthy clients who demand an unbroken continuance of discrete generational wealth.*

## **BMG BullionBars— Preserving Generational Wealth**

Precious metals bullion—gold, silver and platinum—preserve wealth and create portfolio stability in turbulent markets more effectively than any other asset class. In 2011, strong demand for precious metals continued and their rising prices indicate wise investors are seeking the age-old security precious metals provide.

During uncertain times like these the responsible investor's first duty is the preservation of wealth. Unfortunately, the "safe" long-term investments our parents and grandparents traditionally relied on to build their fortunes are now at risk. Real estate, blue-chip stocks, government bonds and currencies are vulnerable to the severe inflation that out-of-control central bank fiat (paper) money creation must surely create. One asset class will preserve the wealth people have spent their lifetime earning, wise investors are again turning to the reliability of gold, silver and platinum. However, it is not just individual investors and institutions who now see the value of holding precious metals.

In 2009, central banks became net buyers of gold for the first time in two decades. They understand the issues facing fiat currencies and are moving to protect their countries' wealth. China and India led the way, recognising that the 2008 financial crisis is not resolved and that the US government policies of bailouts and quantitative easing were only going to further devalue the US dollar. India's central bank purchased over 200 tonnes of gold in 2009. China meanwhile has been quietly accumulating gold since 2002 doubling its reserves to 1054 tonnes by 2008 and it continues to increase its holdings today. Russia too has been adding the precious metal to its reserves in recent years. Earlier this year, Mexico announced it purchased 100 tonnes of gold, an unprecedented amount for the country. Bullion Management Group Inc.'s (BMG) goal is to make the purchase of precious metals as secure, cost-effective and convenient as possible for the individual investor who wishes to preserve their wealth today and for generations to come.

Is it once again time to transfer wealth into precious metals bullion? For the following reasons, BMG believes it is:

### Gold, Silver and Platinum are Money

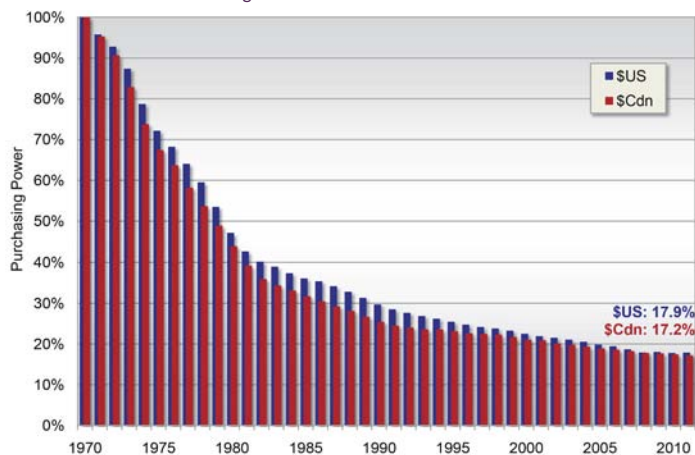
Paper or “fiat” currency proponents often attempt to characterize precious metals as commodities that will depreciate in value as do other commodities during economic downturns.

However, major banks and brokerages trade gold, silver and platinum bullion at their currency desks, not their commodity desks. Central banks own 30.7 thousand tonnes of gold bullion, which represents 18.5 percent of the world’s aboveground reserves. This is also a strong testament to the monetary value attributed to gold. Although bankers are vocal supporters of paper-based currencies, investors are advised to look to the banks’ actions rather than to their words to see what they really think about precious metals.

### Bullion Protects Against Inflation and a Shrinking Dollar

A shrinking dollar, decreasing purchasing power and the destruction of real wealth are the major consequences of inflation. Fortunately, gold and precious metals preserves purchasing power, no matter how high inflation gets. Because precious metals are priced and traded in depreciating US dollars, they will surge in value as the dollar shrinks. For the past several decades, inflation has been ravaging our purchasing power, but few have noticed. As *Figure 1* shows, the US and Canadian dollars have lost over 80 percent of their purchasing power since 1971. Not coincidentally, this was the year the link to the gold standard was cut.

**Figure 1: Purchasing Power**  
Purchasing Power in 1971 US & Canadian Dollars



Source: fx.sauder.ubc.ca ©2011 Bullion Management Group Inc.

### Gold Preserves Purchasing Power

Gold, on the other hand, has maintained its value over the same period. As *Figure 2* shows, you could purchase a car in 1971 for the equivalent of 66 ounces of gold, a house for 703 ounces and the Dow for 25 ounces. Today, with the same number of gold ounces, you can purchase several cars, at least two houses, and you can purchase the Dow with less than half the ounces it took in 1971. This trend is expected to continue for a long time.

**Figure 2: Gold Purchasing Power Then and Now**  
Ounces of Gold needed to make purchases in 1971 and 2011<sup>1</sup>

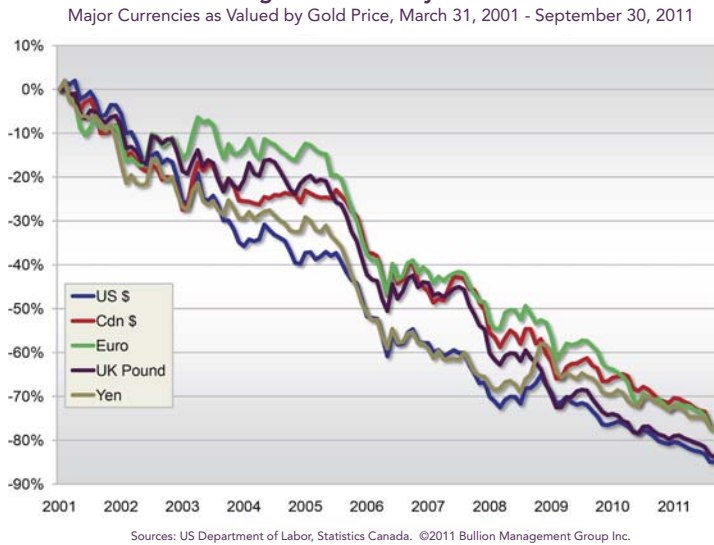
Price in Gold Ounces	1971	2011
Compact Car	66 oz.	9 oz.
Average Canadian House	703 oz.	215 oz. <sup>2</sup>
Dow Jones	25 oz.	6.5 oz.

Sources: CREA, YahooFinance, Pacific Exchange. ©2011 Bullion Management Group Inc.  
<sup>1</sup> as of September 30, 2011 <sup>2</sup> CREA National House Average August 2011

### Gold Maintains Value While Currencies Decline

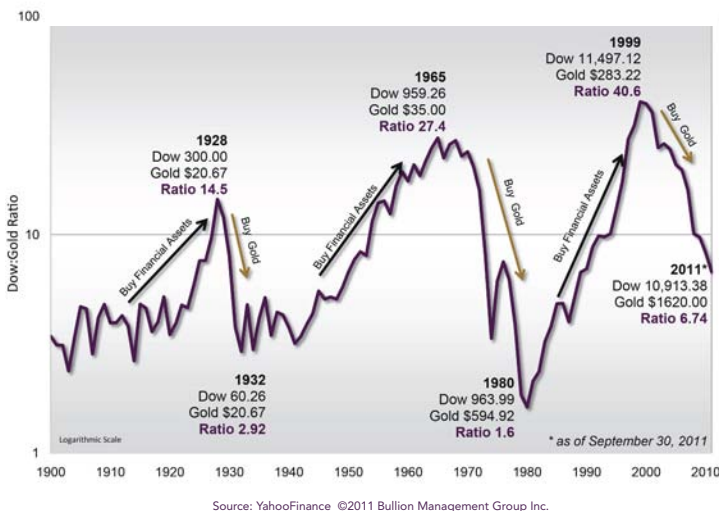
As *Figure 3* indicates, when compared with gold, the US and Canadian dollars, the euro and the British pound have declined in value by more than 75 percent since the year 2000. In truth, gold maintains its purchasing power while the world’s fiat currencies lose theirs. This is a more honest and accurate way of measuring gold’s real value. Gold is not just another investment vehicle comparable to bonds, stocks and currencies. Gold is the anti-currency. It is real money whose value has been consistent for 3000 years. Just as an ounce of gold could buy a gentleman’s suit during the days of the Roman Empire, it can still buy a gentleman’s suit today.

**Figure 3: Currency Decline**



The Dow:Gold Ratio is an indicator which shows investors whether to favour precious metals or stocks in their portfolio. It is calculated by dividing the Dow Jones Industrial Index by the price of an ounce of gold. More simply it is the number of ounces of gold required to “buy” one unit of the Dow. When the ratio is rising, it is time to be overweight (purchase more) stocks and other financial assets. When the ratio is falling, it is time to be overweight gold and precious metals in your portfolio. As *Figure 4* clearly shows, the ratio has been falling since 2000 and economic conditions make it likely that it will continue to fall to a 2:1 or 1:1 ratio. This ratio decline is positive for holding gold and precious metals.

**Figure 4: The Dow:Gold Ratio**



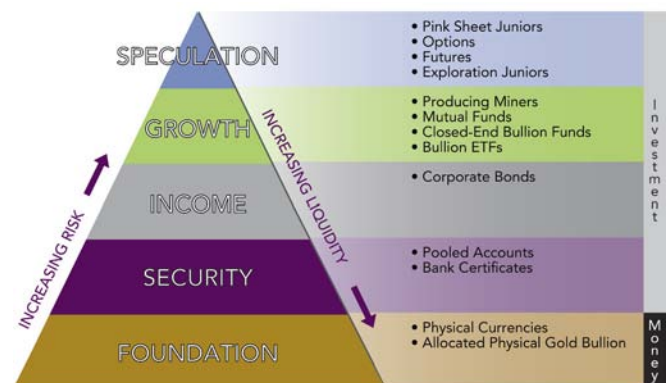
## Only Precious Metals Bullion Balances Portfolio Risk During Times of Economic Stress

To preserve wealth during turbulent times investors must start rebalancing risk in their investment portfolio to hedge against unexpected “fat tail” events. As an asset class, precious metals will carry the least amount of risk and the greatest liquidity in times of crisis. There are many more ways to invest in gold, silver and platinum than were available even twenty years ago. Many of these methods are in fact derivatives of precious metals and carry varying levels of risk during stressful economic times that may not be obvious during normal conditions.

During periods of financial growth and wealth accumulation risk is more acceptable, and offers investors a chance for increasing returns, but during periods of economic contraction where wealth preservation becomes the focus, increased risk can often compromise portfolio liquidity. Certificates and unallocated bullion accounts are simply liabilities of the issuer and investors are unsecured creditors. Even bullion ETFs are not appropriate substitutes for allocated physical bullion ownership during periods of economic stress as there may be multiple claims on the bullion as well as the shares themselves. Derivative vehicles can be very opaque and often hide vulnerabilities that tend to become obvious only in times of economic difficulty, and usually at the time when your portfolio needs the solid insurance of physical bullion the most.

*Figure 5* shows various precious metals investment vehicles on an ascending order of risk with Allocated Physical Bullion at the lowest risk position moving to decreased liquidity as you move into higher risk levels of derivative instruments.

**Figure 5: Precious Metals Investment Pyramid**



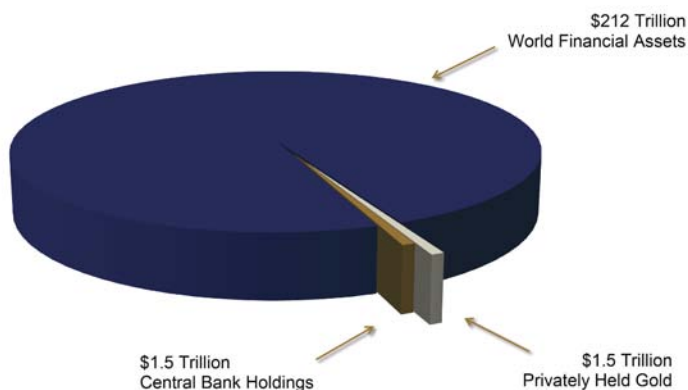
Source: YahooFinance ©2011 Bullion Management Group Inc.

## Supply is Decreasing, Demand is Increasing

Finally, the most important indication that now is the right time to move assets into allocated precious metals bullion is that tomorrow may be too late to enter at current prices. Global demand has been outpacing supply for over a decade and has been subsidized by Central Bank sales. That trend is now changing as Central Banks have become net buyers of bullion.

Gold is returning to its status as the only real money, putting it into direct competition with the US dollar. Fortunately, gold bullion cannot be created out of thin air like paper currencies, and this has preserved its value for thousands of years. While the demand for gold is surging, mine supply has been declining for well over a decade. At present, the total value of available, investable, aboveground gold bullion amounts to about \$3 trillion, which is held by central banks and private investors. In contrast, total global financial assets (stocks and bonds) are valued at an astronomical \$212 trillion or more. As *Figure 6* shows, gold is priced at barely one percent of total financial assets. What do you think will happen when just a portion of these paper assets attempts to rebalance into physical bullion? The only logical way to secure your financial future is through ownership of physical precious metals bullion.

**Figure 6: Gold vs. Financial Assets**  
Too Much Money Chasing Too Little Gold



Source: McKinsey.com, World Gold Council © Bullion Management Group Inc. 2011



## Introducing BMG BullionBars

In 2002 BMG introduced BMG BullionFund, the world's first open-ended mutual fund trust, that invests in equal dollar amounts of fully allocated physical gold, silver and platinum bullion. This allows Canadian investors to hold bullion in their investment portfolios, including their RRSP accounts, and also allows international institutional investors to diversify into bullion. Since its inception, BMG has successfully grown to manage over CDN \$600 million in bullion. In the fall of 2008, BMG launched BMG BullionBars. Through this unique investment vehicle, Canadian and international investors can easily purchase and safely store individual bars of investment-grade gold, silver and platinum bullion. Investors can take delivery at their discretion or request the BMG storage option. BMG's custodial storage agreement with The Bank of Nova Scotia provides for bullion storage on an allocated and insured basis in Toronto, New York and Hong Kong. The Bank of Nova Scotia is an accredited member of the London Bullion Market Association (LBMA) and ranks as Canada's second-largest bank. Canada's banks are currently rated the healthiest in the world.

## Security of Direct Ownership

Why does BMG BullionBars represent the safest and most secure way of owning large amounts of bullion?

There are several reasons:

### Good Delivery Standards

All BMG BullionBars meet Good Delivery Standards (GDS). GDS bullion bars are cast by a small group of precious metals refiners accredited by the professional bullion dealers in London, the LBMA, the New York Commodities Exchange (COMEX) and the London Platinum Palladium Market (LPPM). They are accurately assayed and guaranteed always 99.5 percent pure gold or better, 99.9 percent pure silver or better and 99.95 percent pure platinum or better. In the case of gold and platinum, the market trades only the bar's pure metal content, known as fine ounces, so you don't pay for the impurities whereas impurities are included in the weight of a silver bar.

From the day they are manufactured, GDS bars are transported by approved carriers and are kept in certified bullion vaults that are monitored by the gold dealing community. The same standard applies for silver and platinum. Whenever the bullion bars are moved, a record is maintained showing continuous storage through qualified hands. This audit trail or chain of integrity guarantees the bar's authenticity and becomes key to assuring the liquidity of the precious metal.

## Allocated or Unallocated Bullion

Much of the bullion that is purchased and traded on the world's bullion markets is owned in unallocated form or in pooled accounts. Holders of unallocated bullion do not own any specific bullion bars; they merely have a claim on an unspecified portion of a general pool of bullion or an equivalent liability. As a result, they take the risk that their bullion may be leased without their knowledge or consent, or that the bullion may not be there at all.

BMG BullionBars belong to specific owners in allocated and insured storage. Some bullion dealers state their bullion is in allocated storage but fail to offer valid proof of direct ownership. BMG issues a BullionDeed for each bar that provides unequivocal confirmation of direct ownership.

## Bullion Deeds

Each bullion bar purchased through BMG BullionBars comes with a unique, registered BullionDeed showing the owner's name, the bar weight, assayer, purity, and the bar serial number. There is no question that the buyer owns the specific bar purchased. This process ensures that each bar is allocated to the individual purchaser. This sets BMG apart from its peers, because much of the world's precious metals purchased today are stored in unallocated form. In the event of a bankruptcy of the custodian, the holders of unallocated bullion would become unsecured creditors. Since BMG's allocated bars ensure that title to the bullion is assigned to the purchaser, allocated bullion cannot form part of the custodian's assets and therefore is not subject to any third-party claims.



### Insured Custodial Storage

Bullion Custodial Services Inc., a BMG company, has a custodial agreement with the Bank of Nova Scotia in Toronto that provides full insurance coverage for each individual bar. Even in the unlikely event that the Bank of Nova Scotia was to become insolvent, no one other than the registered bar owner could lay claim to the bullion.



### Annual Audit

Each month ScotiaMocatta issues a report to BMG listing the bars added to or removed from the vault. This provides an audit trail of the bar inventory. BMG's auditors perform an annual physical count of all BMG BullionBars held in the vault and review the bar list changes against vault holdings and issued bullion deeds.



## Convenient, Liquid and Cost Effective

Buying and selling precious metals bullion through BMG's service is as simple and convenient as buying stocks or bonds through a brokerage account. Investors can purchase BMG BullionBars through BMG BullionBars Authorized Dealers.

BMG is a high-volume buyer of investment-grade bullion. This ensures that our customers need only pay a small premium to market price.

## Confidentiality

At BMG, discretion and customer confidentiality are of special importance. BMG stores customers' information at our administrative office in the Greater Toronto Area (Markham), Ontario, Canada. We do not use customer information for marketing purposes. BMG makes an encrypted electronic copy of our customer's documents and stores it on our secure servers. These servers are physically isolated and cannot be accessed through the Internet. Backups are stored off site in secure locations. To ensure confidentiality, all statements and account transactions are processed on the system by coded account number only and owners cannot be identified by name.

## The Purchasing Process

Opening a BMG BullionBars account is similar to opening a traditional brokerage account. BMG verifies the investor's personal information for the protection of both BMG and the investor, and ensures the procedure is Financial Transactions Reports Analysis Center of Canada (FINTRAC) compliant. FINTRAC is Canada's financial intelligence unit, specializing in the collection, analysis and disclosure of financial information and intelligence on suspected money laundering and terrorist financing activities. Once your personal information is approved, the orders are placed online by a BMG BullionBars Authorized Dealer using BMG's proprietary system ensuring the confidentiality described above.

There is no Canadian Sales Tax charged on the purchase of the bars and there is no withholding tax on the sale of bullion. HST is charged on storage for Canadian customers only.

## BMG BullionBars

BMG BullionBars are available in five different products:

Gold in kilogram,

100-ounce, and 400-ounce

bars, silver in 1,000-ounce bars,

and platinum in 50-ounce bars. Most

investment-grade bullion bars vary slightly in weight.

The 100-ounce and 400-ounce gold bars can vary up to

+/- 5 percent, the silver and platinum bars vary by +/-10 percent,

while the gold kilogram bar does not vary in size.



## Storage vs. Delivery

There are many advantages to the BMG storage option over taking delivery of your bullion, which is why most of our customers prefer to leave their bullion in our secure vaults. With delivery, there are administrative and shipping costs and most armoured delivery services will only deliver bullion to commercial locations. If bullion were delivered to a residence, it would put the homeowner at a greater risk of theft. It is difficult, if not impossible, to get home insurance for large amounts of bullion for personal storage. Finally, if investors were to take delivery, they would be removing the bullion from the LBMA member vault. This would likely break the GDS qualification of the bar, which means it might need to be re-assayed before investors could re-sell it. Depending on the type of assay required, this could be costly and time consuming.



## The Selling Process

Bullion purchased through BMG BullionBars is easy to sell provided it has remained in storage. The seller simply contacts the BMG BullionBars Authorized Dealer and identifies the BMG BullionBars they plan to sell, then send in the corresponding BullionDeed(s) to BMG. Once receipt of the BullionDeed has been confirmed, the dealer will contact the seller and execute the sale transaction based on the seller's limit price. A small transaction fee will be charged on the sale price of the bars.

## **BMG Difference:**

### **Uncompromised Bullion**

The BMG philosophy is clear: Outright ownership of precious metals is the most reliable way of preserving wealth. BMG sets the gold standard when it comes to bullion protection by offering investors the absolute security of allocated and insured gold, silver and platinum bullion, without compromising any of the fundamental attributes of precious metals ownership:

### **Absolute Liquidity**

### **No Reliance on Management Skills**

### **No Counterparty Risk**

Our integrity, service, outlook, philosophy and research methods further distinguish us from other providers.

### **Service**

BMG is available to you at any time of the business day and we are always willing to execute your buy or sell orders through a BMG BullionBars Authorized Dealer. BMG also stands ready to discuss the current conditions in the market and to share our understanding of why precious metals prices react as they do. Unlike many bullion sellers, we do not concern ourselves with the minute-to-minute fluctuations of the market. We remain focused on the longer cycles because we believe precious metals are in a multi-decade primary-trend bull market.

### **Research**

The BMG team has a combined experience of many decades in the precious metals markets and Nick Barisheff, President and CEO, is one of Canada's most respected and sought-after experts in this field. Nick authors a weekly online newsletter, the Bullion Buzz, as well as preparing insightful reports about precious metals that are available through the BMG website. The research focuses on the macro-economic picture. BMG pays close attention to geopolitical influences as well as the actions of governments and central banks.



## Outlook

Now more than ever investors should move significant portions of their portfolios into allocated precious metals. This sentiment is being echoed by many of the world's most respected and prescient investment advisors. In April 2009, Doug Casey of Casey Research LLC recommended that, "... all investors place up to one-third of their investments in gold bullion and coins."

### **BMG BullionBars - Peace of Mind in Troubled Times**

No one knows the full scope of the world's financial problems. They are a direct result of the unparalleled creation of unregulated debt instruments that are practically impossible to measure. Even the most seasoned financial experts disagree about how to solve this crisis. Who would have foreseen that a financial institution like Lehman Brothers, after one and a half centuries of profitability, would be forced into bankruptcy by toxic derivatives? Who could possibly have imagined that many of the world's most respected blue-chip corporations, financial institutions, and even countries would be supported through enormous government bailouts?

Whether the outcome of these events result in inflation, deflation, or even hyperinflation, precious metals bullion will continue to be the most effective means of achieving real wealth protection. Fortunately, it is now easier than ever to make this transition to bullion through BMG BullionBars.

### **BMG Special Reports**

For the *Six Biggest Myths About Gold* report on the benefits of bullion and why commonly held myths do not hold up to scrutiny visit: [www.goldmyths.com](http://www.goldmyths.com)

For the *How to Buy Gold and Other Precious Metals* report on advantages and disadvantages of the different methods and merits of owning precious metals visit: [www.howtobuygoldreport.com](http://www.howtobuygoldreport.com)

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*"BMG BullionBars" to the products and services offered by Bullion Custodial Services Inc.*

