Silver Report 2021

Everything you need to know about the precious metal silver!

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Interview with Prof. Dr. Torsten Dennin –
CIO Asset Management Switzerland AG

Prof. Dr. Torsten Dennin is CIO of Asset Management Switzerland AG, which specialises in discretionary asset management for companies and private individuals. He is also the founder of Lynkeus Capital, a Swiss-based investment boutique specializing in commodities. Since 2003, Prof. Dr. Dennin has been analyzing the international commodity markets as well as the global equity sectors Oil&Gas and Metals&Mining.
Until mid-2017, Dr. Dennin was head of strategy and research at Tiberius Asset Management AG. Prior to that, Dr. Dennin was Co-Head Natural Resources for VCH Vermögensverwaltung (2010-2013) and Portfolio Manager for Deutsche Bank AG in Frankfurt am Main from 2003 to 2010. During this time, he was responsible for the investment decisions of several commodity funds.

Prof. Dr. Dennin, precious metals are in demand and in a long-term uptrend. And silver in particular has recently outperformed strongly. What is behind this?

In March 2020, silver briefly fell below US$12, its lowest price since the global financial and economic crisis of 2008. The gold/silver ratio, which indicates gold's attractiveness relative to silver, swung lower than at any time in the past 50 years. It was a painful moment for the silver industry, which always seemed to be overshadowed by gold. Silver's better performance against gold since then is a first breath after this extreme mispricing.

Measured from that March 2020 low, silver has more than doubled, and has already tested the US$30 level twice - but without exceeding it. This is because the economic recovery after the Corona crash and the booming stock markets makes precious metals like gold and silver look unattractive at first glance. Gold is currently trading around US$1,800, and the troy ounce of silver at US$24. However, there is much to suggest that this is a case of „catching one's breath" before a further structural rise. For rarely has the environment for precious metals and the shares of gold and silver miners looked as good as it does today!

In detail, the conditions are reminiscent of the last great cycle in the 1970s. The USA fired up the printing press to finance the war in Vietnam and at the same time buried the monetary system in its hitherto known form, the core of which was the world's reserve currency, the US dollar, backed by gold. Economic growth fell short of potential growth, and eventually the price level also rose - stagflation ensued. As a result, gold rose in price by almost 800%, and silver traded at around US$120 when adjusted for inflation.

Today, all countries are firing up the virtual printing press in the fight against Corona. Our 50-year proven monetary and financial system is reaching its limits. And despite years of quantitative easing by central banks, economic growth in Europe and the US has lagged behind its long-term trend. If the economic fundamentals follow a similar path today – that is, if history rhymes – then the prices of gold, silver, platinum and palladium will be very encouraging over the next few years. Perhaps we are indeed only at the beginning of a Golden Decade for precious metals, the silver lining of which is just beginning to appear on the horizon.

Did the Corona crisis and all its side effects give the precious metals sector an additional boost?

In my opinion, this connection is misrepresented in many media: Neither do fears of a virus cause gold prices to rise, nor will gold prices collapse after widespread vaccinations. Rather, the connection is fundamental: the government's economic policy response to Corona and Lockdown is an orgy of debt on an unprecedented scale. To keep this from rocking our monetary and financial system, interest rates must remain low for the foreseeable future.

Low interest rates, a large expansion of the money supply and an erosion of confidence, in the long-term sustainability of government debt is the push that has awakened precious metals from their slumber. If inflationary tendencies are added to the mix, we are in for a perfect storm for precious metals like gold and silver.

How do you think the four most important precious metals gold, silver, platinum and palladium will fare in 2021/2022? What price levels can investors expect over the next 12 to 18 months?

American investment houses are among the most aggressive in their price forecasts. A price target of US$3,000 was written on its banners by Bank of America, and the consensus estimate from most financial institutions is between US$2,000 and US$2,200. The fundamental conditions are right, and technically the gold price is in a long-term uptrend. Silver is lagging the gold price in this regard. Although silver has repeatedly attempted to reach the US$ 30 price level, it has not yet been able to overcome it. In order to surpass the highs of 1980, the troy ounce of silver would have to climb to over 50 US dollars (adjusted for inflation even to over 120 US dollars). Compared to gold, this is still a very large catch-up potential.

Demand for platinum group metals is negatively affected by the trend towards e-mobility. Also, an important factor in asset investment is market size and related issues such as tradability, liquidity and risk in terms of value fluctuation (volatility). The markets for platinum, palladium and rhodium together are only a fraction of the size of the silver market - investors need to be aware of this.

Time and again, fears of a gold ban arise among precious metals investors. How realistic do you think such a scenario is and how should one protect oneself against it?

Most investors probably consider a ban on gold ownership to be completely improbable, but people overlook the fact that in Germany private ownership of precious metals was repeatedly subject to bans and restrictions between 1923 and 1955. In the world's most important economy, the U.S., a ban on private gold ownership even lasted from 1933 until late 1974, which is one reason why the Hunt brothers speculated in the silver market instead of stacking gold bullion. With the onset of the Great Depression, the government at the time forced its citizens to turn over their gold to the central bank at a fixed exchange rate. And here lies the common root: a ban on gold ownership is usually enacted by governments when states find themselves in a currency crisis. Like Turkey, which recently banned its citizens from using Bitcoins to make payments because of it.

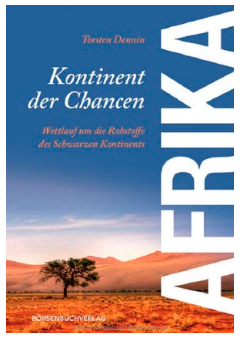
And we too are not far from a monetary crisis due to the immense distortions of the Corona crisis.

One glimmer of hope is that gold bans have never been particularly effective, because unlike other valuables, gold could be easily hidden and kept out of the reach of the state. Even if the likelihood of another gold ban is low, it cannot be ruled out. Investors who want to play it safe should consider buying shares in gold and silver mines. Because to ban private share ownership would be tantamount to abolishing capitalism and the market economy. And with current gold and silver prices of around 1,800 and 25 US dollars respectively, the operators of gold and silver mines are promising record profits.

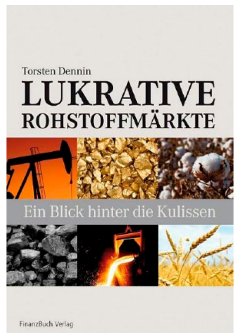
In addition to your role as CIO of Asset Management Switzerland AG, you are also a professor of economics and active at the Berlin Institute of Finance, Innovation and Digitalization. How do you reconcile these tasks, and what do you do better than your competitors?

As a bank-independent financial services provider, Asset Management Switzerland AG specialises in business with high net worth private and corporate clients. As an asset manager, it is sometimes important to swim against the tide in order to protect clients' assets. For example, we use capital-preserving real asset strategies as well as innovative savings plans on precious metals and cryptocurrencies. Research and teaching at the university and collaboration on projects at the Berlin Institute of Finance, Innovation and Digitalization regularly shows us new impulses. Examples are in the area of sustainability, which is also becoming an increasingly important topic for precious metals, and new technologies such as blockchain

Dr. Dennin studied economics at the University of Cologne, Germany, and at Pennsylvania State University, USA. He received his PhD in commodity markets from the Schumpeter School of Business and Economics. Torsten holds a professorship in economics at EBC Hochschule, Düsseldorf, and is a full member of the Berlin Institute of Finance, Innovation and Digitalization.
He is the author of the books "Collateralized Commodity Futures in Asset Management", "Lukrative Rohstoffmärkte – Ein Blick hinter die Kulissen" and "Afrika. Kontinent der Chancen" as well as numerous other publications in professional journals. His latest book "From Tulips to Bitcoins" is a bestseller in the categories of finance, commodities and digital currencies on Amazon and published worldwide in six languages. Torsten is married and lives with his wife and daughter in Switzerland.



Torsten Dennin
Afrika – Kontinent der Chancen
Börsenbuchverlag, April 2013



Torsten Dennin
Lukrative Rohstoffmärkte
FinanzBuch Verlag, 2. Auflage, Oktober 2011

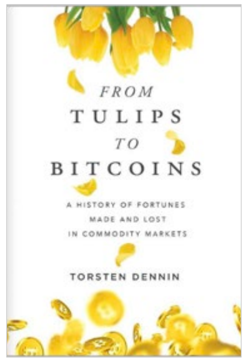
and cryptography. This combination of theory and practice is a success factor for our customers.
Our partners in alternative investment opportunities such as Lynkeus Capital, Angelmountain Global Wealth and SRC Swiss Resource Capital also benefit from this.

Example: In the current positive market environment for gold and silver, gold and silver mining stocks often have a much more positive investment performance, as rising prices are often reflected as a „multiplier“ in the company's earnings and value. With the SRC Mining & Special Situations Certificate, we have launched an investment product that focuses on gold and silver mines. With a performance of +65% since inception in September 2019, this is super timing! An important factor here is the regular exchange with the management of each of our portfolio companies.

In your books „Lukrative Rohstoffmärkte – Ein Blick hinter die Kulissen“ and „Afrika. Kontinent der Chancen“, you repeatedly address the topic of commodities. What is it about commodity markets that fascinates you so much?

In „Afrika. Kontinent der Chancen“ I show the attractive development opportunities of commodity projects in gold, silver and precious stones, among others. Africa is a continent that most investors still ignore - wrongly! Take a look at the development of Lagos, for example: With almost 15 million inhabitants, this city in Nigeria is the second largest agglomeration on the African continent. Since the 1970s, this city alone has exploded by a factor of 10!

„Lukrative Rohstoffmärkte“, on the other hand, focuses entirely on commodities - crude oil, natural gas, copper, gold and silver: all fascinating markets with their own dynamics. In summary, what excites me about commodity markets are the individual stories and the tangibility. You can touch a ton of copper, just like a barrel of crude oil or a gold bar. Because in the current capital market environment, tangible assets such as commodities and especially precious metals are playing an increasingly important role.



Torsten Dennin
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Your current book „From Tulips to Bitcoins“ is an international bestseller and is already being launched in the US in a second, updated edition in 2022. What can precious metals investors in particular take away from it?

I am pleased that „From Tulips to Bitcoins“ has found such broad appeal and has now been translated into six languages, including Korean and Chinese. The unifying theme is market speculation and financial bubbles: The tulip mania in Holland in the 17th century was considered the biggest bubble in financial markets for almost 400 years, until the Bitcoin bubble burst in 2017/2018. The systematic of most bubbles is always the same. This is because the formation of financial bubbles in the capital markets is part of our free-market economic system, and when a bubble bursts, things get very uncomfortable in the financial markets. Currently, we are living in a debt bubble, fed by the money creation of central banks to finance government Corona bailouts. Precious metals have a long tradition as a crisis currency and can help to secure assets even in uncertain times.

Gold and silver: not only insurance, but also liquidity and good performance – Expert interview with Christian Brenner, Managing Director and Chairman of the Board philoro SCHWEIZ AG

Mr Brenner, inflation is suddenly on everyone's lips. What do you think is the reason for this and how do you see things developing next year?

Life as we know it is simply getting more expensive. In the US and the EU, the money supply has been massively expanded over the last 2 years. In the US, for example, the central bank balance sheet has more than doubled from $3.7 trillion at the end of August to $8.5 trillion. At the same time, the supply of products and services has been reduced or now only increased back to pre-Corona levels. As a result, this loose monetary policy is now being reflected in inflation; we are seeing consumer prices rise. From January through September, the U.S. consumer price index CPI has already risen 4.7%. Annualized to 2021, then, we expect 6.3% inflation in the U.S., more than three times what the Federal Reserve actually wants to see. This means that central bank policy is the main driver of inflation, not the „restart“ after the lockdowns or other factors. Right now, there's no end in sight for us there. Especially since energy prices are also shooting up dramatically, which in turn has an impact on consumer prices. We expect to see high single-digit inflation in the US in 2022 as well. And that is also driving inflation in the other economies.

Precious metals are moving sideways after a top performance in 2020. What do you think is the main reason for this? Gold should perform better when inflation is high, right?

Since the beginning of the year, gold has been moving in a band between 1700 and 1900 dollars per ounce and reacts quite strongly to any announcements by the US Federal Reserve Bank that go in the direction of tapering, i.e. curbing bond purchases. Also, better-than-expected labor market data or higher-than-expected inflation readings have repeatedly led to a sell-off in gold and silver over the past few months. Illogical really, but the market expects that if the news is „good“ the Federal Reserve will now have to slowly end its loose monetary policy, i.e., wind down bond purchases and then slowly raise interest rates again. This would theoretically be bad for gold, as real interest rates (inflation minus the central bank rate) would be less negative. However, this does not necessarily have to happen.

What do you mean?

On the one hand, it is not certain whether the central banks could even significantly reduce bond purchases without causing a major market crash, and on the other hand, even then it would not be certain whether the zero-interest rate regime could be abandoned quickly enough to keep pace with steadily rising inflation. We rather believe that real interest rates will remain well into negative territory (currently they stand at minus 6% in the US!) and we see great opportunities for a breakout in gold and silver prices as soon as this realization materializes in the market.

Last year many bullion dealers, but also mints, reported delivery bottlenecks again and again or were not able to serve customer requests at all. How does it look this year?

The philoro group is one of the leading precious metal dealers in Europe and we have very good contacts to the mints and also to other wholesalers around the world. With the advent of the Corona crisis in the spring of 2020, some dealers were unable to deliver. We, on the other hand, were able to service all customer orders, thanks to our good network. We are in constant contact with the mints so that we can see a bottleneck in time and act accordingly. In the spring, there was a real „run“ on silver with the so-called „silver squeeze“ and production was already at full capacity. However, we can switch to other

Christian Brenner was born in Vienna in 1979. Today he lives and works near St. Gallen in Switzerland. He is Chairman of the Board of Directors and Managing Director of philoro Schweiz AG as well as Managing Director of philoro EDELMETALLE GmbH in Germany. He studied communications at the University of Vienna and then spent almost ten years as an account manager responsible for planning and implementing successful media strategies at SevenOneMedia Austria – ProSieben-Sat1 AG and AEGIS Media Austria. His clients included well-known national and international brands. The founding of philoro together with his brother Rudolf Brenner in 2011 marked the beginning of his successful entrepreneurial career. At philoro, he also devotes himself intensively to the areas of marketing and CRM and, for the constant and strategic further development of the brand, relies on the constant observation of medium and long-term brand and market perspectives, about which he is happy to provide information.