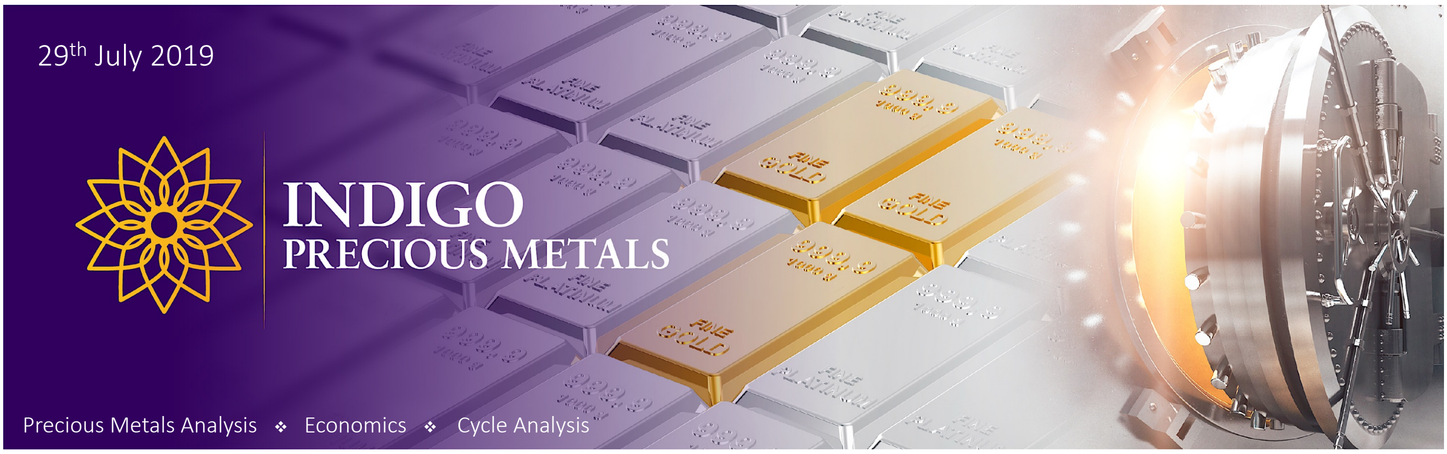


The Coming Paradigm Shift

What Does It Mean For You? The Ultimate Solution

By David Mitchell

The Major Cycle Turn Ahead of Us All

There has been a great deal of commentary and press surrounding the slowing global economy supported and driven by the disastrous state of the growing global debt crisis, how does someone navigate these waters, or indeed have a more defined picture of what is happening and how will this directly affect their financial well-being? **The purpose of this article is to lay down the blueprint, with a plan on how to protect your assets.**

Ray Dalio [1] has recently wrote an article creating much fanfare in the press with him stating that gold is the best asset class to consider holding, in which he referred to the coming paradigm shift, a nice descriptive word (pattern or model framework) framing very well what we should all start to think about, or indeed at least be aware of and make the relevant adjustments in your finances and asset structure.

I myself have been writing about these major developments and forecasts for many years, which I refer to as 'cycles' and been forecasting and warning about from a macro perspective. Forecasting of course is fraught with risk and unknown probabilities and of course the elusive ingredient of timing the turns. However we now have the Bank for International Settlements (BIS), World bank and Institute of International Finance (IIF), the world's most successful hedge fund and money managers, global macro analysts and investors all warning about the same developments

Mr Dalio is basically describing that markets move in clear cycles, periods of time in which the markets and marke t relationships operate in a certain way with each other (which he refers to as "paradigms") that most people adapt to and eventually extrapolate out so they become overstretched and unstable (bubbles, market crashes), shifting into the next cycle of asset structures and relationships and even new monetary systems.

What we are facing today and into our immediate time horizon is the largest global debt crisis in history, this debt growth mountain pile has clearly broken any sustainable mathematical metrics of support.

[1] Raymond Dalio founder of investment firm Bridgewater Associates, one of the world's largest and most successful hedge funds founded in 1975, with roughly 125 billon US$ under management as of 2018.

I will not approach this article to describe in great detail most of the macro developments and evidence thereof as this would end up being a 50 page report, rather I will lay out in clear stages what is a likely outcome supported by the high probabilities present and developing, so that the investor may get a much more clearer image of how to protect themselves.

The world since the global financial crisis of 2007 to '09 has sustained one of the largest economic boom periods on record, supported by unprecedented stimuli fomented by global central banks and governments with zero per cent interest rates and money printing which has lead ultimately into a corporate debt binge now at historical record levels, record high stock markets, housing bubbles near global, banking balance sheet insolvency crisis, global pension fund crisis, sovereign government debt mountains **and all of this in a economic boom!!!**

When the slowdown and ultimately severe recession arrives how does the system cope exactly?

Time Frame and Expectations of How It Plays Out?

What seems highly likely over the next few years (time-frame over the next 3 to 4 years) is a blueprint that is becoming more obvious….

Editor Note: There will be many micro cycles within this forecasted game plan below, which will create great volatility in markets and pricing, with many false dawns.

1) US Federal Reserve now seems resolute in the new interest rate direction heading back to zero-bound rates, the economy is slowing down quickly with Trump's fiscal stimulus injection now running down, Asia is in an industrial recession which we can see clearly with world freight volumes falling dramatically, Europe are in a clear economic spiral lower amongst many other economic developments globally. Presently global debt earning zero or negative interest rates for investors is approximately 13 trillion USD's, this will increase in size with US Treasuries heading towards zero per cent yield, alongside a massive increase in new debt issuance.

2) Central banks will run out of stimulant to support the markets or the economy when the worlds economies are weakening and enter into technical recessions, money printing and zero bound interest rates will be exhausted as confidence in the system starts to unravel.

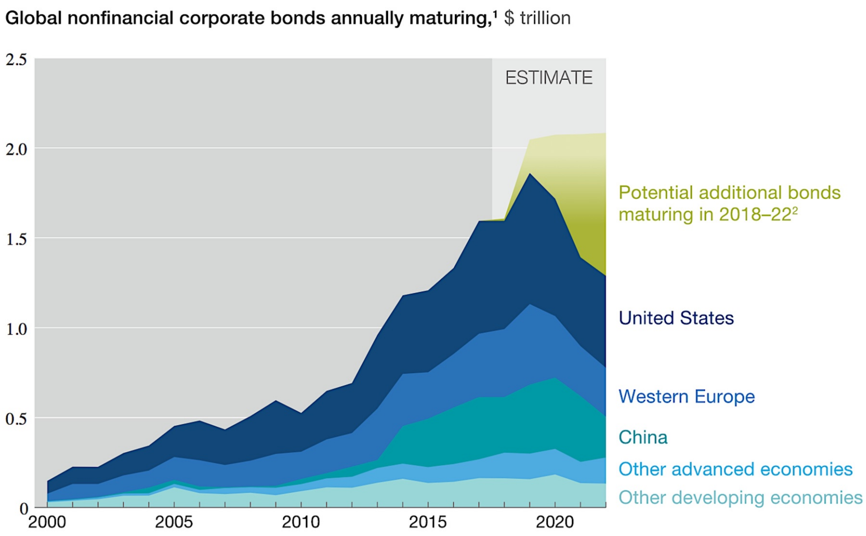
3) **Debt servicing starts to unravel and pressure the effective house of cards…**

a) An enormous amount of debt and non-debt liabilities (e.g., pension and healthcare) that will increasingly be coming due and won't be able to be funded with the assets presently standing.

b) Real interest rate returns are pushed so low that investors holding the debt won't want to hold onto it or seriously lose confidence in the strategy of holding it any further, debt with guaranteed capital losses is not particularly attractive and hence the markets will start to sell debt and move their capital.

c) Simultaneously, the large need globally for money to fund debt-servicing liabilities will contribute to the "big squeeze" for funding. At that point, there won't be enough money to meet global needs.

Global non-financial corporate bonds annually maturing in $ trillion



Between $1.6 trillion and $ 2.1 Trillion of Corporate bonds will mature annually from 2018 to 2022, demand for future cash liquidity is enormous.

Source: Dealogic; Mckinsey Global Institute analysis

4) **US$ Carry Trade Unwind**

The globe has borrowed heavily in US$ in offshore net borrowing to the tune of 15 to 20 Trillion US$ according the Bank for International Settlements (BIS). At this point it does not matter what the USA wants or does not want, the overriding demand is and will be for US$ to service debt requirements which reverberates into a massive appreciation of the US$ against other global currencies. Of course this will not end very well, with several well anticipated outcomes.

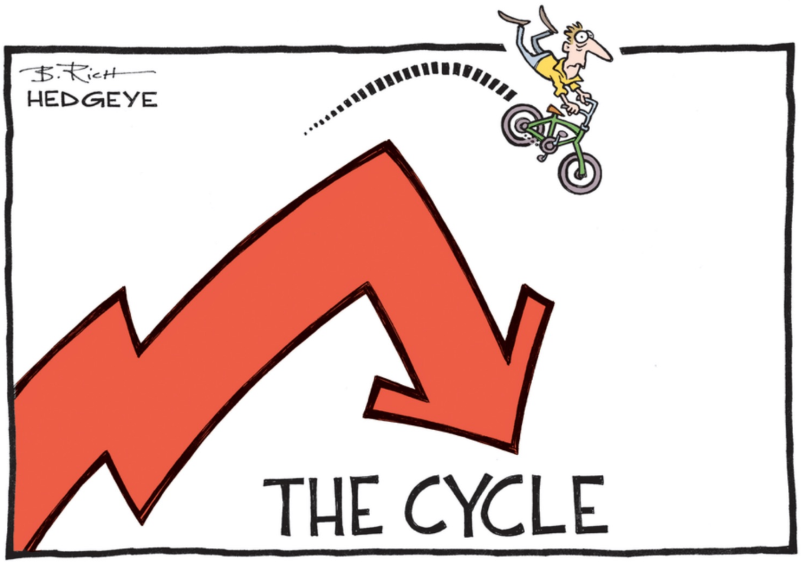
The last time we saw an event such as this was the '97 to '98 Asian Financial Crisis, which I have written about here..

5) **Stagflation**

Governments and central banks react to the extreme with a combination of deficits being simply monetised (extreme money printing) driving deep currency depreciations across all currencies, government tax grabs and tax increases, pension fund obligations to claimants marked down (defaulted) and hence payments reduced heavily. Holders of remaining debt securities will receive either close to zero or negative nominal returns denominated in currency value that's being devalued, hence another form of stealth taxation.

The demand to sell debt securities for hard assets once a realisation that interest rates have reached exhaustion lows of zero per cent or lower will overwhelm markets. Precious metals?

So we have a very similar picture to the decade of the 1970's heady mix of economic contraction, falling housing markets, contracting disposable income, rising real inflation a.k.a. currency devaluation, **BUT** our global system is heavily drugged on debt this time around, which our global economies were not burdened with in the 1970's.



Central Banks & Government Debt Policy In A Fiat Currency System

In 1945 the president of the Federal Reserve Bank of New York, Beardsley Ruml made a speech published in 1946. Editor Note: I will cut it down and take the relevant snapshots.

Ruml said:

"Final freedom from the domestic money market exists for every sovereign national state where there exists an institution which functions in the manner of a modern central bank and whose currency is not convertible into gold or into some other commodity."

Ruml noted that in a fiat currency system such as the United States had adopted, government did not need to tax to raise revenue but could create as much money as it wanted and deploy it as it thought best, using taxes instead to give value to its currency and implement social and economic policy.

What they are saying here is tax is used solely to give value to a currency as everyone needs to hold the currency to pay taxes by law and hence 'giving its value', but the real tax comes in the form of massive currency depreciation against the holders of currency and debt denominated in said currency over the years ahead.

Now I clearly recognise the advantages of our present system for governments and central banks, the clear constant expansion of debt for spending programs and the advancement of our society, but and it's a big BUT there are no effective checks and balances to control this debt expansion or indeed corruption, mismanaged economies quickly spiral out of control once debt crosses certain levels that are no longer serviceable or sustainable. At that point massive currency devaluation causes extreme harm to its people.

The real problem we face today is when debt itself is being valued at zero to negative interest rates, why hold onto debt with guaranteed capital losses denominated in a currency that's being devalued with overall debt loads far beyond anything seen before and mathematically unsustainable, eventually the whole confidence game is lost.

Why Gold and Precious Metals? 3rd Party Liability?

We often talk about the avoidance of 3rd party liability assets when faced with the all-important diversification of the portfolio due to crisis of varying varieties, from banking crisis to currency crisis, wars, sovereign debt crisis, extreme inflation or deflation.

What do we mean by 3rd party risk?

We are effectively looking for a highly liquid non-correlated asset class that market forces 'completely out of our control' cannot affect its future valuation, for example asset classes that have clear 3rd party liability .....

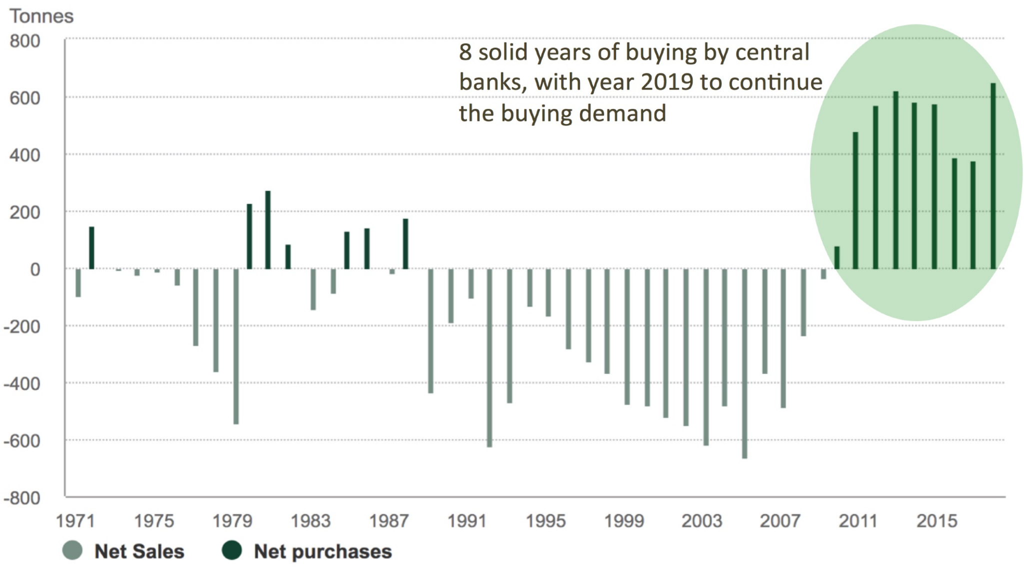
- A company share valuation can be unduly effected with mismanagement by its owners or the board of directors; or indeed corruption or capital theft.
- Currencies can be destroyed by government mismanagement and overprinting.
- Bond valuations by over issuance of debt which becomes unserviceable.
- Houses / real estate are effected by building wear and tear costs, availability of credit or interest rate levels, and even mother nature herself.
- Mines or other fixed assets can be nationalised and hence value stolen.

While assets with zero liability .... gold and precious metals physically held on the other hand have their own unique qualities being durability, portability, divisibility, uniformity, limited supply, and acceptability across the globe by all societies and cultures. The metals you own are not dependent on someone else's ability to make good on.

It is highly unusual for a hedge fund (portfolio) manager of any sized fund to talk openly and publicly about their immediate portfolio weightings or macro view, I do seriously believe Mr Dalio is to be lauded for his openness and I also think the foundation of his comments has more to do with an altruistic nature. **He is seriously alarmed about this major cycle turn and the damage that will be done to individuals wealth and future, those that are unprepared.**

As Ray Dalio wrote in his article.....

Gold advantages
All these uncertainties accentuate negative market sentiment and drive central bank investors to reallocate their portfolios away from risky assets to safe haven assets.



Sources: Metals Focus, Refinitiv GFMS, World Gold Council

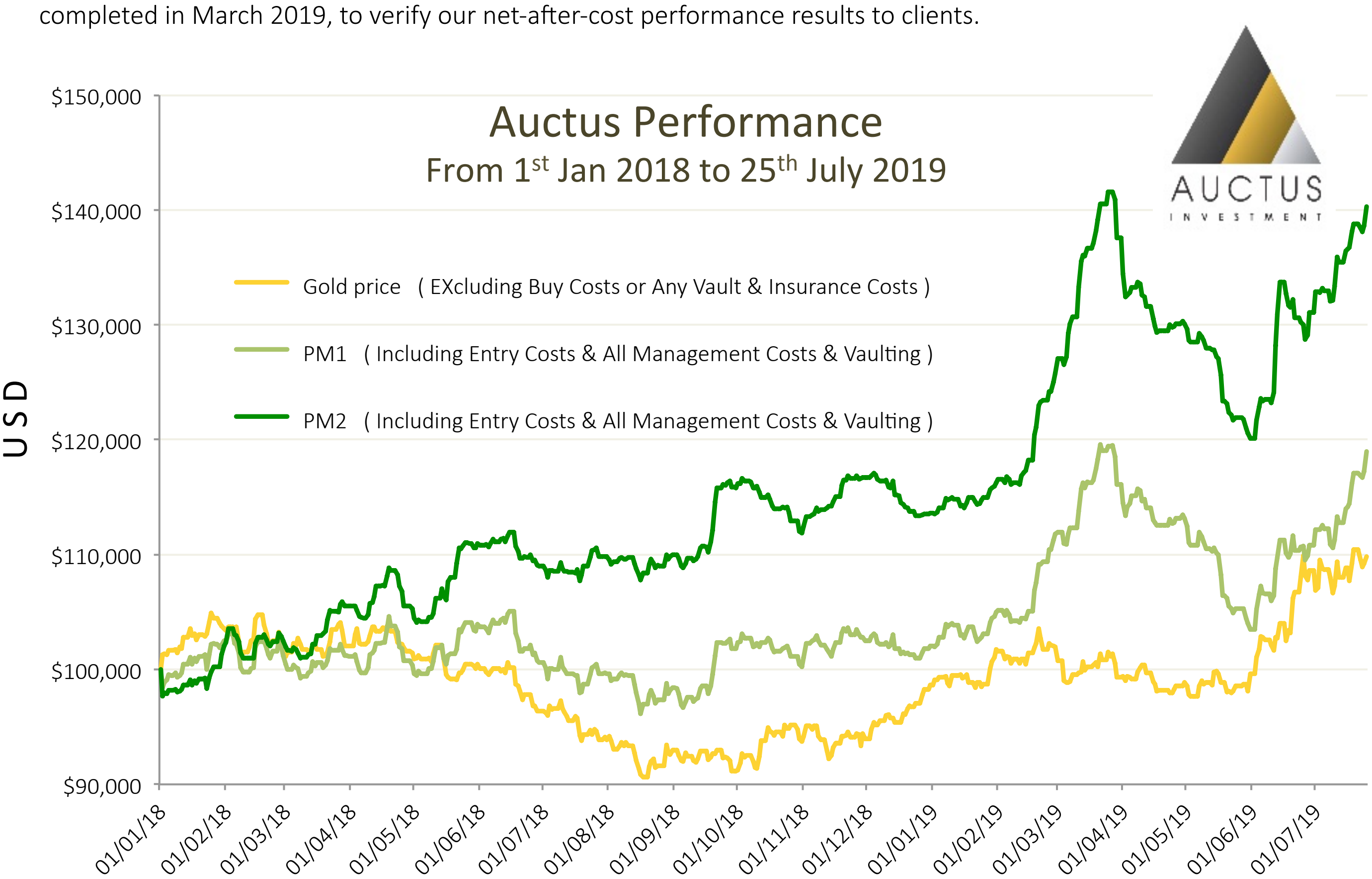
This is where gold comes into its own, as it fulfils central banks' three core objectives: safety, liquidity and return.
Gold is well known as a safe haven asset. It carries no credit risk, has little or no correlation with other assets and the price generally increases in times of stress. As such, it offers valuable protection in times of crisis.
Gold is highly liquid too. It can easily be traded in global market centres, such as London and New York. It can be used in swap transactions to raise liquidity when needed and it can be actively managed by reserve managers.

Gold can also enhance the risk/return profile of a central bank portfolio. Its lack of correlation to other major reserve assets makes it an effective portfolio diversifier and, over the long term, it delivers higher returns than many other assets.

The Ultimate Solution, Managed Portfolio in Physical Precious Metals
A Return Over and Above Gold (the Alpha)

While we recognise that buying and holding physical gold and perhaps a small spread of silver and platinum (which is the typical investors purchasing mandate) is extremely important in the overall diversification of your asset portfolio, however there are serious physical metal investment opportunities in the investment precious metals space which are not being recognised by the investor. Hence we do spend a great deal of time helping our clients to achieve the full potential to their portfolio returns.
We have developed a unique and bespoke advisory solution that services clients who would like to see an alpha return while enjoying a fully managed physical vaulted metals portfolio on their behalf.

We are extremely excited to officially roll out to our international client base our physical metal portfolios balancing algorithmic system. Several of our long-standing clients have been actively managed by our system for several years now, but our official global launch was delayed until the of March 2019, whilst we set up our necessary infrastructure. We have now completed the build of our state-of-the-art vaulting database system and live price feed vaulting portal supported by the already developed and trademarked algorithm systems.
We also required a comprehensive audit of our systems by one of the worlds top auditing companies, which was completed in March 2019, to verify our net-after-cost performance results to clients.



Developed over the last 7 years, we are taking the classic ‘ asset diversification actively managed model ’ which is religiously followed by the world’s most successful asset money managers and incorporating these same principals to precious metals, as opposed to where typically investors will simply buy gold or silver and hold it in a vault.
Unique long-term cycles, multiple pricing ratios, supply-demand dynamics and distinct trading patterns have been clearly recognised, and our models presently analyse over 50 input variables that are monitored daily and self learning from an historical price database relationship analysis going back over 50 years.

We effectively recognise pricing anomalies between the classic 5 investment metals of gold, silver, platinum, palladium and rhodium and re-weight and re-balance our clients physical metal portfolios when our algorithms trigger trading instructions. On average we have historically re-balanced portfolios 5 to 6 times a year, although in some years that could be just once and in other years up to 10 times.

Always full physical metal investment allocation, zero paper trading or collateralisation. Held fully in the client’s sole named vaulted account held with third party vaulting within free-trade zones security premises.

Auctus Portfolio Models Alpha
Net After Costs to Clients
Comparative Performance Analysis
As confirmed by extensive full audit by BDO Global

	Jan to Dec CAGR Return Year 2018	Jan to Dec CAGR Return 2017 to 2018	Jan to Dec CAGR Return 2016 to 2018	Jan to Dec CAGR Return 4 Year	Jan to Dec CAGR Return 5 Year	Jan to Dec CAGR Return 10 year
Provectus Model 1	2.04 % per annum	36.28 % per annum	40.74 % per annum	17.39 % per annum	12.39 % per annum	15.36 % per annum
Provectus Model 2	13.60 % per annum	52.47 % per annum	47.53 % per annum	18.69 % per annum	14.46 % per annum	17.60 % per annum
Physical Static Gold Performance	- 0.93 % per annum	5.65 % per annum	6.46 % per annum	1.48 % per annum	1.21 % per annum	3.93 % per annum

A physical wealth preservation asset tool, with a proven track record of out-performance in positive alpha growth yield.

If you are interested in generating superior returns over and above what can be generated in a static metal holding, with the safety of your own physical portfolio, held with premier 3rd party vaulting solely in your own name, full ownership title in the worlds premier vaulting house then contact us....

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