

P. ZIHLMANN INVESTMENT • MANAGEMENT AG

Your independent **Swiss** asset manager

THE TIMELESS PRECIOUS METAL FUND

THE TIMELESS ENERGY FUND

THE SIERRA MADRE GOLD AND SILVER VENTURE CAPITAL FUND

SILVER: BUY, HOLD OR SELL? UP-DATE N° 24 / JANUARY 30, 2013

Silverinstitute

<u>Silver/Ounces in US\$</u>					
Buy Date	Amount/oz.	Buy Price	Total (USD)	Price Today	Value Today
November 15, 2002	10'000.00	4.54	45'400.00		
Total	10'000.00	4.54	45'400.00	32.10	321'000
Profit					245'600
Profit (in %)					607%
OUR LONG-TERM RECOMMENDATION				BUY	
OUR SHORT-TERM RECOMMENDATION				HOLD/BUY	

1980 to 2013: From bear to bull

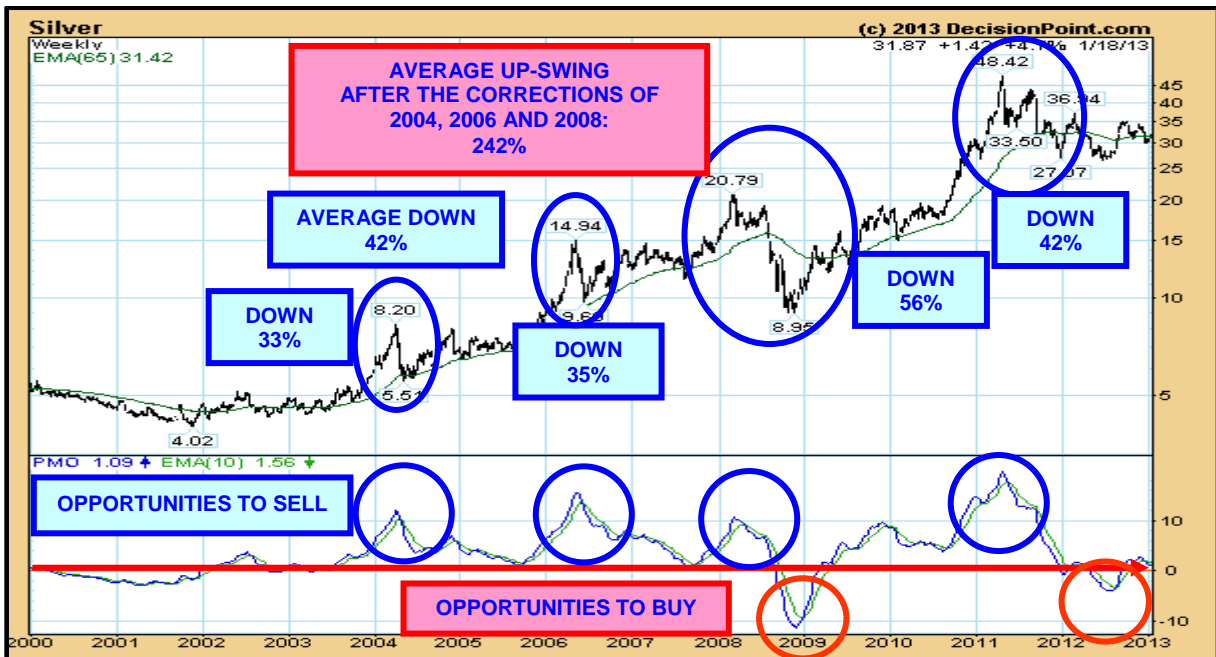


In 1980, the price of one ounce of silver reached \$ 50. Today, the purchasing power of the US dollar is substantially less than in 1980.

The price of one ounce of silver would have to rise to \$ 150 to reflect the value of the US dollar thirty years ago, assuming an average annual inflation of 3.5%.

During the financial crisis of 2008, the silver price corrected 57% from the high of \$ 20.79 down to \$ 8.95. This correction was followed by a spectacular rise of more than 400% to \$ 48.42. A correction was inevitable and a drop of 42% followed that phenomenal rise. So far, the silver price has recovered 14%. The present up-leg started in May of last year and should lead the silver price to a new all-time high.

The long-term picture of the silver price



The bull market of the silver price started towards the end of 2002. On the way from \$ 4.02 to the recent high of \$ 48.42 (an increase of 1,100%), several significant corrections took place, the most severe one in 2008 when the silver price sank by 56% only to jump 440% to a new high since the bull market started. "The bull market is not over. However, at present, a correction seems to be overdue." we wrote in March 2011.

During the past ten years, whenever the PMO Indicator shown above exceeded 10 points, we would have been well advised in taking profit. On the other hand, whenever it fell to or below the 0 point line, it would have been opportune to buy. 2008 was of course an aberration or a one-time opportunity – or the opportunity of a life-time as we wrote at that time.

The present correction differs from the previous ones as those were relatively short-lived while this one has lasted for almost two years. When it will end, no chart can tell and some famous investors do not believe that charts offer a reliable guidance. For example, Peter Lynch once commented, "Charts are great for predicting the past." Warren Buffett has said, "I realized technical analysis didn't work when I turned the charts upside down and didn't get a different answer" and "If past history was all there was to the game, the richest people would be librarians."



Fundamental Considerations: THE RISING SILVER DEMAND

Silver is unique. Its natural beauty is legendary. Its range of applications is exceptionally broad. As a precious metal, it has been a source of human adornment since the beginning of time, such as a component of fine tableware, appropriately called silverware. As a light-sensitive element, it has revolutionized preservation of memories in the form of photographic images. More recently, its unique properties comprising of anti-bacterial qualities, corrosion resistance, malleability, ductility, reflectivity and conductivity have opened new possibilities for a myriad of other industrial applications.

The demand that pushes the silver price higher

World Silver Supply and Demand										
(in millions of ounces)										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Supply										
Mine Production	594.5	597.2	613.6	636.6	641.1	665.9	683.6	716.1	751.4	761.6
Net Government Sales	59.2	88.7	61.9	65.9	78.5	42.5	30.5	15.6	44.2	11.5
Old Silver Scrap	197.3	196.0	197.4	201.6	206.0	203.0	200.9	200.0	228.7	256.7
Producer Hedging	-	-	9.6	27.6	-	-	-	-	50.4	10.7
Implied Net Disinvestment	17.4	-	-	-	-	-	-	-	-	-
Total Supply	868.3	881.9	882.4	931.7	925.6	911.4	915.0	931.7	1,074.7	1,040.6

World Silver Demand in millions of ounces (Source: World Silver Survey 2011)

Demand										
Fabrication										
Industrial Applications	355.3	368.4	387.4	431.8	454.2	491.1	492.7	405.1	500.0	486.5
Photography	204.3	192.9	178.8	160.3	142.2	117.6	101.3	79.3	72.1	66.1
Jewelry	168.9	179.2	174.8	173.8	166.3	163.5	158.7	159.8	167.4	159.8
Silverware	83.5	83.9	67.2	67.6	61.2	58.6	57.4	59.1	51.2	46.0
Coins & Medals	31.6	35.7	42.4	40.0	39.8	39.7	65.3	78.8	99.4	118.2
Total Fabrication	843.5	860.1	850.6	873.6	863.7	870.5	875.3	782.0	890.1	876.6
Producer De-Hedging	24.8	20.9	-	-	6.8	24.2	8.5	17.4	-	-
Implied Net Investment	-	0.9	31.8	58.1	55.1	16.6	31.2	132.2	184.6	164.0
Total Demand	868.3	881.9	882.4	931.7	925.6	911.4	915.0	931.7	1,074.7	1,040.6

Implied Net Investment demand, industrial demand and demand for coins cause the silver price to increase. Without it, the silver price would never have performed as it did. Industrial demand and demand for coins and medals are expected to grow further.

The Gold / Silver-Ratio



In times of a crisis, as in 2008, gold tends to perform better than silver. In times of confidence or hope, as at the end of 2010, silver fares better. At present, the gold/silver ratio is in neutral territory as investors feel uncertain as to which way the major economies will evolve.

As the major European countries struggle to control the debt bubble, some confidence may creep back into investors' sentiments which could then cause the gold/silver ratio to fall back towards the 40 point level. This would cause the silver price to rise toward the \$ 40/ounce level with the gold price remaining at the present level of \$ 1,650. Should gold rise to \$ 2,000 (not an unrealistic scenario), the silver price could move back to the \$ 50 level.

Silver in Industry

From non-corroding electrical switches to chemical-producing catalysts, silver is an essential component in nearly every industry. Its unique elemental properties make it impossible to substitute and its uses span almost every sector of industrial application.

The distribution of electric power depends upon silver contacts in switches and circuit breakers. Silver contacts in membrane switch panels are now standard in control panels for machinery, chemical industry processes, railway traffic controls and elevator buttons.

Silver oxide and zinc batteries have twice the capacity of lead-acid batteries, making them the power source of choice for television and film crews, aircraft and submersibles. Unlike other substances, silver performs well at high temperatures. For example, silver batteries are the only kind that can function at the high temperatures found deep in oil wells.

Another important use is in radiography, the use of photo film to evaluate the internal condition of materials. This technique is key for the discovery of structural flaws.

Silver can be bought with little margin (\$ 1,000 per units of 5,000 ounces):

If somebody buys silver for USD 150,000 (5,000 ounces) and risks USD 15,000, he could make a profit of USD 100,000 if the price rises to \$ 50 and lose his investment of USD 15,000 if the silver price drops to \$ 27.

After the silver price rose to \$ 49 in April of last year, it corrected down \$ 27.07 by December of the same year. It has since recovered to \$ 32.

Earlier this month it was published, that the demand for both gold and silver coins has been record-breaking as 2013 began. So much so, that now after selling over 6 million silver coins in 2013 so far, the US Mint has run out of silver eagles and has suspended sales. Furthermore, the Mint is saying that it will not restart sales until January 28th!

Silver is again our preferred precious metal!



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How to invest:

<http://www.timeless-funds.com/en/timeless-precious-metal-how-invest>

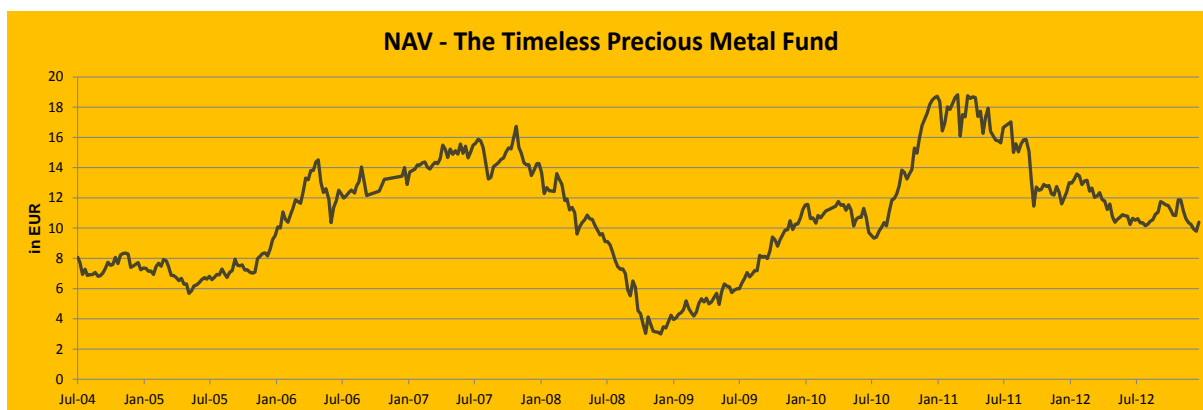
THE TIMELESS PRECIOUS METAL FUND

Is a Retail Collective Investment Scheme (SICAV), licensed by the Malta Financial Services Authority (MFSA).

THE TIMELESS PRECIOUS METAL FUND invests in listed mining companies of medium or small market capitalization, which have to fulfill the following criteria:

- Companies that are in production on the one hand, and have a high potential of adding new reserves and resources.
- Companies that are set to go into production and that have, at the same time, considerable exploration prospects.
- Companies that concentrate their exploration for precious metals in resource rich regions that have a positive track record.
- In addition we consider the experience and integrity of the mining company's management as another important investment criterion.
- Emphasis on operations in mining friendly countries and jurisdictions.

Shares of medium sized mining companies are more volatile than big cap mining stocks and are best suited for long-term investors. We also believe that mining companies are extremely undervalued at this time in relation to gold and silver and that, for this very reason, they offer an outstanding capital gain potential.



THE SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND

Is a Professional Investor Fund targeting experienced investors and is licensed by the MFSA.

The SIERRA MADRE GOLD AND SILVER VENTURE CAPITAL FUND invests in listed precious metal venture capital mining companies with a focus on Mexico and other Latin American countries which have to fulfill the following criteria:

- Companies that are in production on the one hand, and have a high potential of substituting exhausted resource bases, and at the same time, of adding new reserves.
- Companies that concentrate on the exploration for precious metals in commodity rich regions that already have a substantial resource.
- In addition we consider the experience and integrity of the mining company's management as another important investment criterion.
- Geographic focus is on Mexico and other Latin America countries but 10% of assets may be invested in other countries.

The fund has no limitations as to the amount that can be invested in one company, giving the investor the chance to benefit fully from the capital appreciation potential of a company.



Our aim is to focus on a sustainable and constantly growing performance.

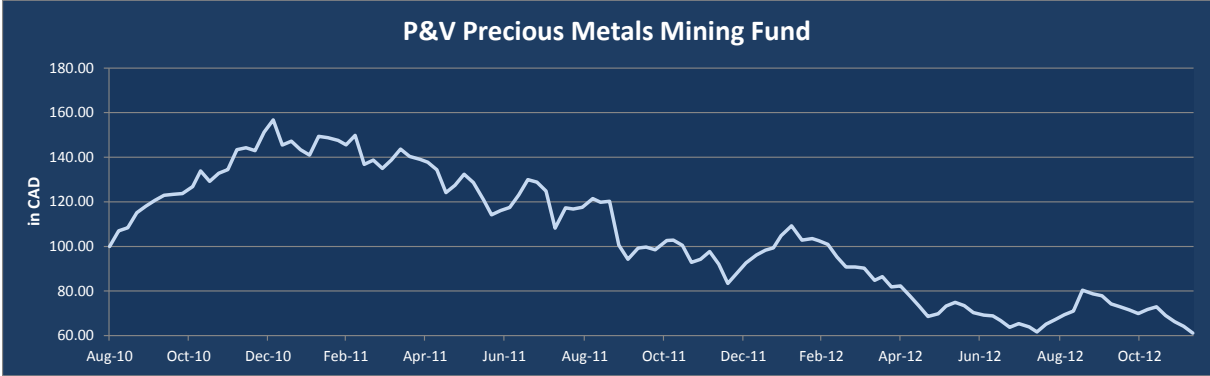
P&V PRECIOUS METAL MINING FUND

Is a UCITS III fund, conform to EU law.

This fund also invests in junior precious metal mining companies world-wide.

The fund is more restrictive than the two previous ones as investments which exceed 5% cannot be more than 40% of total assets. Not more than 10% can be invested in one single company.

The P&V PRECIOUS METAL MINING FUND offers less capital potential than the first two but it is also less exposed to risk.



Disclosure:

The author has not been paid to write this article, nor has he received any other inducement to do so.

Disclaimer:

The author’s objective in writing this article is to invoke an interest on the part of potential investors in this stock to the point where they are encouraged to conduct their own further diligent research. Neither the information nor the opinions expressed should be construed as a solicitation to buy or sell this stock.

Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions in the stock - or to use their own brains.

In our opinion, the best approach is to buy a diversified portfolio of stocks as represented in THE TIMELESS PRECIOUS METAL FUND or THE SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND instead of shares of only a small number of companies.
