Concerned About Gold & Silver ETF’s?
A balanced evaluation of the most mis-understood investment vehicle available to metals investors.

- By Minesh Bhindi, Wealth Manager at Perfect Portfolio LLC

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Introduction

Over the last few years Gold & Silver ETF’s have become very popular for investors of precious metals. The main reason is the simplicity and ease that these vehicles provide to invest. One click of a button and your wealth is out of high risk investments and into Gold & Silver, and when you want to sell, one click and you’re back into cash.

At the same time, a lot and I mean a LOT of negativity surrounding these funds have come out also. Questions whether they have the appropriate Gold & Silver held in the vaults, whether their prospectus’ allow them to diverge from the price of Gold & Silver, why these funds are un-audited, why they won’t let independent 3rd party firms in to check the bars, whether they lease the Gold & Silver they own, what the counter-party risk is in holding these funds, how they allow price manipulation through the paper markets and just quite simply “HOW SAFE ARE THESE FUNDS?”

Ever read anything like these questions above? They’re everywhere. Well what I wanted to do is actually provide a balanced overview of this. The problem is that a lot of people questioning these ETF products are selling physical Gold & Silver so it makes sense for them to trash the main alternate product that’s snatching their customers.

Just to be clear, I invest in Gold & Silver ETF’s & I own physical Gold & Silver. Perfect Portfolio coaches people how to use Gold & Silver ETF’s to leverage the return they’ll get on their Gold & Silver over the next 7-10 years.

FACTS: The Enemy Of Precious Metals “Bloggers”

The two biggest funds in this arena are GLD & SLV. Before we even get into debate, I just want to cover some facts about these two funds:

GLD:

- First ever Gold ETF backed by real Gold.
- Reached $1bn in assets in under 3 days – fastest growing fund.
- Sponsored by the World Gold Trust Services which is a subsidiary of the World Gold Council.

- Bank of New York is the trustee.
- HSBC Bank is the custodian
- Each share represents an undivided interest in a trust, which has a primary asset of Physical Gold.
- Initial price of every GLD share = 1/10th of the price of Gold, plus fund management fees.
- The trust's asset comprises of primarily London Good Delivery Bars at 400oz.
- The price and full holdings can be checked at www.SPDRGoldShares.com.

- Deloitte confirm audits done by Bank of New York for accounting purposes.

- Inspectorate International audit the holdings.

SLV:

- Launched April 21st 2006
- Sponsor: Blackrock Asset Management
- Trustee: Bank of New York Mellon
- Custodian: JPMorgan
- Audited by: Inspectorate International
- Price Waterhouse Coopers audit SLV to confirm accounting

Ok – so now you have the facts of these funds, the number of independent authorities who are responsible for the management of this fund. This is something that the nay-sayers and doomsday-preppers don’t talk about. Just look how many independent authorities are commissioned to make this whole system work. I’m not saying that the nay-sayers are wrong, at the end of the day, that’s your decision to make, I’m just looking at this from an investor’s perspective, not someone who’s trying to increase fear levels in the hearts of people.

I had to go through all this analysis for my own investment. So I understand the decision people face.
Let’s talk a little bit more in-depth about these funds and the objections that they face constantly.

Ready?

“You Can’t Redeem Physical From ETFs”

Firstly, there are two goals for Gold & Silver investors. 1) To profit from the price exposure of Gold & Silver, as the price goes up, hold it to make a lot of money. 2) To own Gold & Silver so that when the world collapses, electricity stops, the water stops flowing, food stops being produced and the money we hold is being burnt to keep us warm, we have a tangible asset to go and purchase things with.

My intention is 95% option 1, 5% option 2. This is very important to understand, your intention behind investing in Gold & Silver is very important because then you can make the right decision.

So firstly, when buying & investing in ETF’s you should not expect to ever be in a situation where you want to request the Gold & Silver in physical form. That’s not what these funds are designed for. They are designed for you to strictly take advantage and profit from the price exposure of Gold & Silver. So anyone who says “but you can’t receive your Gold & Silver in physical with ETFs” is absolutely right, that should never be your intention. At some point you will have to sell your ETF, go back into cash and then re-purchase in Physical, if you wish. That is the purpose of these funds, to profit from price exposure, don’t let anyone scare you into anything else.

If you want to stack Gold & Silver coins to buy food one day because that’s where you think the world is going, then great do that. In the meantime I’ll happily invest in GLD & SLV, use the strategies we teach at Perfect Portfolio to quadruple my return, then pull the cash out and go purchase physical if and when the time comes. Guess who’ll have more money?
“3rd Party Risk”

Next is the 3rd party risk. Did you know, having your money in the bank has greater 3rd party risk than holding it in Gold & Silver ETF’s if you have more than a certain amount of money? As we’ve seen in Cyprus, banks collapsed, and everyone with over €100,000 got hit with a 40% levy on bank deposits.

A 40% levy on BANK DEPOSITS.

Why I’m highlighting this is because all the Gold & Silver ETF naysayers always mention 3rd party risks, even with several multi-national billion dollar corporations behind the two main funds. But the truth is, unless you’re holding the asset, or anything in your hands, there’s always a 3rd party risk. When you’re buying property there’s a 3rd party risk with the lawyer, the mortgage broker, the letting agent.

If you absolutely do not feel comfortable with having any 3rd party risk and don’t trust anyone, then buy the physical and hold onto it. Of course after making sure that the 3rd party bullion dealer you bought it from gave you authentic Gold & Silver & not just painted lead bars!

You also have a 3rd party risk with storage plans - what if where the Gold & Silver you’re buying is stolen? What if it’s in your home and your home is broken into and it’s stolen? 3rd party risk ALWAYS exists in many different forms. You see how the nay-sayers just prey on the paranoia of something so standard in the world today? Without some element of trust, you’re not going to be able to do anything to progress.

“Price Manipulation Through Paper Markets Using ETF’s”

The legal position of these ETF’s mean that every dollar in must be represented by Gold or Silver plus the management fee. These funds have sucked up the demand from Physical bars and overpriced coins, as they represent the closest to spot price of Gold & Silver possible in the market.

GLD & SLV, the two funds we use, are not leveraged funds, so they can’t be manipulated by purchasing billions and billions of dollar’s worth with no
backing. The price of Gold & Silver, if it’s being manipulated is done through the use of the futures market, which allows banks and hedge-funds to use the same tools of leverage and cash-power they have to move the price of Orange’s or Oil to move the price of Gold & Silver.

When you hear of Price manipulation, this happens through the futures market, not through the ETFs. The Futures market is 10 times bigger than the GLD ETF and is a leveraged product that is actively used, using normal market application to affect prices. You can read about the difference between GLD and Gold Futures in the CME PDF about it here: http://www.cmegroup.com/trading/metals/files/MT-023_NewMetals_WhitePaper_SR.pdf

This snapshot is from that report showing the market size difference.

The only way the ETF’s have manipulated the price of Gold & Silver is by taking the people who were thinking of buying Gold & Silver in physical form and diverting their purchasing power to these ETF’s not to the physical Gold & Silver bars.

But it’s the same thing because the fund has to go and purchase the Physical anyway in a non-leveraged fashion. Therefore the only people losing out are the Physical Gold & Silver salesmen & saleswomen that are losing customers.

Makes you wonder whether the negative propaganda is actually in YOUR best investment interest, or their best profit interest.

Interesting question right!?

And my ultimate favourite one:
"These Funds Are Not Audited & The Managers Constantly Disallow Third Party Auditors".

Really?

You know all the other concerns are valid and they actually pose great debate in what we’re discussing, but this one, this gets me thinking about the intention behind certain people’s anti-marketing of GLD & SLV, and it gets me wondering whether they are actually credible in their ability to assess the market and speak to investors.

I’ve read one article from one of the leading figures in spreading the message on Gold & Silver who clearly stated publicly “While these funds may provide significant trading liquidity, its physical gold and or silver holdings remain questionable and unaudited.”.

Ok – so then how to do you explain these easily accessible audit reports from a 3rd party precious metals auditor, Inspectorate International, which was founded in 1927 to audit their holdings independently at-least once a year?

Let’s take a look:

GLD: SPDR Gold Shares

Full Key Facts On GLD: http://www.spdrgoldshares.com/usa/

• SPDR Gold Trust Vault Inspection Certificate (March 2013)
• SPDR Gold Trust Vault Inspection Certificate (September 2012)
• SPDR Gold Trust Vault Inspection Certificate (April 2012)
• SPDR Gold Trust Vault Inspection Certificate (October 2011)  

• SPDR Gold Trust Vault Inspection Certificate (April 2011)  

• SPDR Gold Trust Vault Inspection Certificate (November 2010)  

• SPDR Gold Trust Vault Inspection Certificate (April 2010)  

• SPDR Gold Trust Vault Inspection Certificate (October 2009)  

Click here: www.spdrgoldshares.com/usa/gold-bar-list/ for direct link to GLD certificates as they’re updated.

SLV: iShares Silver Trust

Full Key Facts On SLV: http://www.blackrock.com/investing/products/239855/?referrer=tickerSearch

iShares Silver Trust Vault Inspection Certificate (April 2015)  

iShares Silver Trust Vault Inspection Certificate (February 2013)  
us.ishares.com/content/en_us/repository/resource/slv_vic_04_2013.pdf

iShares Silver Trust Vault Inspection Certificate (June 15, 2012)  
us.ishares.com/content/en_us/repository/resource/slv_vic_08_2012.pdf
iShares Silver Trust Vault Inspection Certificate (September 2011)
us.ishares.com/content/en_us/repository/resource/slv_vic_11_2011.pdf
iShares Silver Trust Vault Inspection Certificate (December 2010)
us.ishares.com/content/en_us/repository/resource/slv_vic_12_2010.pdf
iShares Silver Trust Vault Inspection Certificate (February 2010)
us.ishares.com/content/en_us/repository/resource/slv_vault_inspection.pdf

Click here: http://www.blackrock.com/investing/products/239855/?referrer=tickerSearch for direct link to all SLV certificates.

Enough?

Can we move on from the claim that these funds are “not audited”. It’s just a silly thing to say when it’s a legal requirement that they must be audited & the 3rd party verified audit documents are available PUBLICLY.

The fact is that these funds were created to PROMOTE the investment in Gold & Silver, make it more accessible, more easy for people to profit from Gold & Silver.

What Should You Do Now?

Look, there’s always going to be risk with anything, whether you’re buying physical or in ETF form, you’re going to have to trust SOMEONE.

So my advice is, spread your risk. You’re an investor, not an emotional wreck. Think clearly, look at the potential, evaluate the agenda behind what you’re reading. For example, my agenda behind writing this post is twofold, 1) To put a little balance in the hearts of Gold & Silver Investors. 2) To show you the potential ROI of investing in GLD & SLV through the methods we use at Gold And Silver For Life and making you think about becoming a student.

Look at what the agenda is behind the writer’s post, is their business selling Gold & Silver coins to you? Then guess why you’ll never hear any GOOD about the ETF’s? Simple question.
Now, let’s look at a bit of portfolio allocation for an investor. I already told you, I have both ETF’s and Physical, I’m weighted on the ETF side by about 80/20. In order for me to explain to you my rationale behind my decision, I need to explain to you the profit potentials.

For this example, we’re going to assume Gold & Silver go up just 3x in the next 7-10 years, not the crazy 5-10x that most Gold & Silver hype-masters are touting. Let’s keep it conservative. 3 times in 7-10 years.

So with Physical Gold & Silver if you invest $10,000, you’ll have a portfolio worth $30,000. Simple right?

Well, with $10,000 invested the Perfect Portfolio way, with an independently verified documented ROI of 2.2% per month using the cash-flow strategies we teach, a $10,000 fund would grow like this:

Start With Just $10,000.
Apply The Wealth Triangle Philosophy...

How Your Wealth Grows With Gold For Life
Magic Of Compound Interest

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<th>Profit</th>
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<td>£ 32,292.60</td>
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Ignore the £/$ signs as we’re dealing with percentages here. So $10,000 with compounding grows to $139,413.62 right? Wrong. That’s ONLY the cash-flow we’re not accounting for Gold & Silver price appreciation here.

Now imagine the ROI when Gold & Silver go up to their true value, 2x, 3x, 4x, 5x?
ShadowStats did a study which showed that the true inflation adjusted value of Gold & Silver, using a 1980’s method of inflation calculation which doesn’t hide true inflation, and they found that the true inflation adjusted value of Gold & Silver was...

Ready?

**True Inflation Adjusted Gold High: $10,823/oz**

**True Inflation Adjusted Silver High: $568/oz**

Now do you see the potential?

So, let’s cut back to how to allocate your portfolio. Let’s say you have $100,000 to invest in Gold & Silver, why not buy $75,000 in physical Gold & Silver, hold it at home, safe, with no 3rd party risk, no one to trust and your money “safe”.
And with the other $25,000, invest and take a “risk” with GLD & SLV, after doing the appropriate research and profit hugely.

The difference is this – with the $75,000 you hold in Physical. You will always have that, and when you want to convert your GLD & SLV into physical you will have to sell your GLD & SLV stock and then go back into whatever the cash value is at the point of sale and then go and purchase Physical.

That’s it.

At Perfect Portfolio we’re building a tribe of Gold & Silver Investors who are taking advantage of Gold & Silver to profit in ALL the different ways there are to profit from Gold & Silver.

Don’t let your profit be limited by people’s who’s agenda is their profit books and not your best profit also, it’s no secret that most people that “poo-poo” ETF’s are either selling Physical Gold & Silver themselves or some product to show you how.

Look at the purpose of the intention. Mine, in writing this report is to get you to see the benefit of the way WE do things so you might consider becoming a member of our tribe and implement our strategy into your wealth building plans.

Everyone has an agenda. I’ve learned the secret is aligning and investing in the ones that speak to and serve your goal the best.

Either way, be invested in Gold & Silver & don’t fall for one sided, agenda driven marketing. Put your best interest above the best interest of the publishing company’s profits and analyse it with both eyes open. Then you’re already half way to the profit.

Talk Soon,

Minesh Bhindi
Wealth Manager
for and on behalf of Perfect Portfolio LLC
P.S. Why not come and attend a free workshop and just find out if what we do is right for you? Just go here: https://www.profitsfromgoldandsilver.com