THE 2014 SILVER INVESTOR’S GUIDE

By Jeff Clark, Editor of BIG GOLD
WELCOME TO CASEY RESEARCH!

We're glad you're joining us for what we're convinced will be the silver bull market of a lifetime.

We're so bullish on silver, in fact, that we think it will outperform gold before this cycle comes to an end.

Silver has a few characteristics that gold doesn’t, though, which lead to greater risk but also to greater opportunity for investors.

This special report will cover why we think all investors should have exposure to silver; the two critical differences between it and gold; and the three methods we use to invest in this metal. We're confident that by following the advice outlined here, you’ll be in a position to make spectacular gains in silver and silver stocks in the months and years just ahead.

WHY SHOULD YOU INVEST IN SILVER?

The reasons to buy silver and silver stocks are similar to those for gold – currency devaluation, negative real interest rates, and unsustainable debts and deficits. Not only is every currency today operating under a fiat system (i.e., backed by nothing), most G7 countries are printing money to pay for expenses and spending that they can't otherwise cover. This won't have a happy or pain-free ending, as inflation is virtually baked in the cake at this point, despite what some in the mainstream believe. Silver is one way to protect yourself from that inevitable fallout.

Keep in mind that silver has been used as money for more than 3,000 years. In fact, the word “silver” translates to “money” in many languages, including French, Spanish, and Hebrew.

But silver is more than just a monetary metal. It has two characteristics that are different from gold, and every investor should be aware of them. These two factors make silver riskier than gold, but they also mean we could potentially see much bigger returns. Let’s take a look at them…

THE TWO CRITICAL DIFFERENCES BETWEEN SILVER AND GOLD

As you consider investing in silver apart from whatever investments you make in gold, keep these two distinct characteristics in mind:

Difference #1: Silver’s biggest use is in industry, which will impact demand and price.

Like gold, silver is a precious metal – meaning it’s rare in nature. While gold’s largest use by far is for investment purposes, silver’s largest use, due to its unique and highly valuable
properties, is in industry. Roughly half of all silver is used for industrial purposes.

Take a look at the wide-ranging applications this highly versatile metal has:

- **Solid-state lighting (SSL)**, which uses semiconductors to produce light with either light-emitting diodes (LED) or organic light-emitting diodes (OLED), rather than the more traditional electrical filaments. SSL is used in traffic lights and some car headlamps.

- **Radio frequency identification (RFID)** uses printed silver ink made from silver nitrate. RFID chips have become so ubiquitous that it's hard to find any new product that doesn't have at least one – even if it's only in the security tag affixed to the package.

- **Supercapacitors and superconductors, autocatalysts, and new types of more effective batteries.**

- **Medical applications** like aseptic coverings for surgery, traumatic wounds, antibacterial bandages and fabrics, dental amalgam, and silver salts that help prevent infections in newborns. It's also used as a cure for dermatological problems and certain types of cancer.

- **Water purification systems, washing machines, air conditioners, and refrigeration.** NASA used silver to sterilize recycled water aboard the space shuttle.

- **Food packaging and preservation.** Manufacturers of commercial ice machines are using silver-embedded hoses, clamps, pipe fittings, and in other equipment in places where gunk can build up and harbor bacteria. Meat processors use silver-embedded tables, grinders, tools, and hooks. Silver is used to keep fruit, vegetables, and cut flowers fresh while in transit.

- **Public hygiene**, such as antimicrobial protection of telephone receivers, doorknobs, beds, toilets, countertops, children's toys, socks, bed linen, towels – and yes, even underwear.

- **A wide range of consumer products used every day**: makeup, antibacterial soaps and kitchenware, hand and air sanitizers, and facial creams and masks.
Here’s the rub: the number of uses for silver are growing. Take a look at the growth in industrial uses since 1999.

![Uses for Silver Are Growing](chart.png)

The number of ounces devoted to electronics, solar panels, and biocides has tripled in the last thirteen years. This trend is widely expected to continue.

This represents a critical shift in the silver industry. For a long time, industrial demand for the metal was dependent almost entirely on one industry: photography. At its peak, photographic demand accounted for about 50% of the market. Now, in spite of diminishing photographic demand, total industrial demand comes from roughly 10,000 applications, virtually none of which shows any signs of slowing.

This has two significant ramifications for us as investors:

1. The health of the global economy will have an impact on silver demand and subsequently on its price. Recessions can dampen demand, while robust economies will increase it.

   That said, notice in the above chart what happened to demand during the financial crisis years of 2008 and 2009. Demand slowed but remained steady. What this tells us is that due to the burgeoning number of applications for this metal, a recession would have to be especially deep and long-lasting to reverse this trend.
2. Unbeknown to many investors, approximately 90% of all silver ever produced has been consumed. Most of the gold ever mined, on the other hand, is still above ground. Further, mine production is unable to meet the world’s annual demands. These factors make supply very dependent on scrap and recycling, a precarious situation for such a widely used metal.

The bottom line is that growing industrial demand is competing with growing investment demand. This scenario is very bullish for silver’s price.

**Difference #2: Silver is a much smaller market than gold, making the price more volatile.** This is true of silver stocks as well.

Just how small is the silver market, you ask? Here’s a chart that shows the total value of all silver ETFs around the world, compared to some common stocks.

![Silver ETF Investment Is Puny](chart.png)

Silver ETFs were worth a total of $8.8 billion in November, 2013. You can see that this is much smaller than many popular stocks.
What about silver stocks? Here’s a chart that compares the total value of all primary silver producers to other industries.

The market cap of all primary silver producers was $16.7 billion in November, 2013, barely visible on the chart in comparison to other industries. The dying newspaper industry is over 190 times bigger than the entire silver industry.

With a market this small, it only takes a small amount of money to push the price around – and large amounts of money can have a dramatic impact on it. This is what makes silver a much more volatile market than gold.
Here's how much more volatile silver is than gold...

The following chart documents the difference in daily price movements for each metal. Values above zero represent days when silver had a greater percentage move than gold, as depicted in orange, while values below zero are days when gold moved more than silver, as depicted in gray. The values don’t tell us the direction of price movements, only how much they differed between each other on any given day. Take a look...

The chart clearly shows two things:

1. Silver’s daily price movements are bigger than gold’s. On average, silver’s price movements exceeded gold’s by 1.3 percentage points, while on days gold had the bigger move, the average was 0.7 percentage points.

2. Not only are silver’s movements bigger than gold’s, but they occur much more often. In fact, silver’s movements have been greater 71.7% of the time. Regardless of the direction of precious-metals price movement on any given day, silver had a greater percentage move than gold roughly three out of four days.

The investment implication here is that both declines and surges will usually be greater for silver than gold. This means that as investors, we must be willing to stomach larger downdrafts and not get spooked out of the market when they inevitably occur – but also that we will enjoy bigger surges when precious metals go on a run.
It is because of data like these that we believe silver will likely outperform gold before this bull market is over. But that’s not the only reason.

THE #1 REASON SILVER COULD ENTER A MANIA

There are plenty of compelling charts and convincing data about the delicate balance between supply and demand for silver. But that’s not the most critical factor. In fact, I don’t believe that what’s ahead for the price will have much to do with data. Instead, I think it will be based on psychology. Here’s a good example.

At a recent outpatient hospital visit, my nurse ran through the usual background questions, one of which was what I do for a living. I told her, and this was her response:

“Oh, gold. That’s exciting. But it’s too expensive for me. I can’t afford it.”

Now, this is an RN in a hospital, someone who earns a good living and can afford to take a vacation and occasionally eat at a fancy restaurant. She has money to buy birthday presents for her kids and probably contributes to a retirement account.

When the value of money begins to erode more seriously and inflation makes front-page headlines, and my nurse turns to precious metals to gain some semblance of lifestyle protection, what is she going to buy? If she can’t “afford” gold now, it won’t be any “cheaper” later.

She’ll buy silver. And so will a lot of other panicked investors who don’t think they can afford gold and are watching their purchasing power relentlessly decline. It will drive prices higher. Perhaps wildly so.

This factor will have a definite impact on the silver market.

WHAT HAPPENS IF WE GET A MANIA?

We obviously can’t guarantee a mania will occur in the precious metals sector. But if we do get one, the impact on the silver market will almost certainly be greater than on gold. Expect fallout in the following areas…

Price: Silver’s percentage gain will likely be bigger than gold’s. As an example of what can happen to prices in a mania, gold rose a total of 2,333% in the 1970s bull market – but silver rose 3,646%!

Bullion: Silver bullion will be negatively impacted. Expect high premiums, delayed delivery, and mandatory rationing.

As proof, consider that premiums for popular silver bullion products reached nearly 100%
in late 2008 and early 2009. Further, it frequently took two months for orders to ship. If we see a rush into silver, we also expect bullion buyers to hear something like this: “We can only ship 10% of your order now and the rest will be placed on back order… No, we can’t tell you when it’ll come in.”

On the plus side, if you own bullion in a runaway price environment, consider this: you’ll be paid above spot for any ounces you sell during this time. The message here is obvious: buy your bullion now.

**Stocks:** The implications for silver producers will be positive. Since the silver price can rise much faster than operating costs, revenue will jump, earnings will rise, and dividends will increase.

Stock prices will soar. Given the small number of primary silver producers, the rise in their share prices could be breathtaking.

So how do we take advantage of this setup? We recommend investors diversify their exposure to silver in three ways…

**SILVER DIVERSIFICATION METHOD #1: PHYSICAL SILVER**

Given the state of the global economy and that many governments continue to administer large doses of the wrong medicine, we first recommend that all investors place from 10% to 20% of their investments in gold and silver bullion.

We don’t mean 10-20% of your precious metals portfolio; we mean 20% of your liquid assets.

This may sound extreme to some. But haven’t the actions of many politicians and government leaders been extreme? Forcing real interest rates into negative territory… spending trillions more than they have coming in… printing money as never before seen in history…

The fallout from these actions will be highly inflationary – and make silver a must-own asset. If there were ever a time to be overweight on precious metals, this is it. Someday we’ll need to rebalance, but not until prices are at much higher levels.

So how much silver should you buy? Our guideline is one-third silver and two-thirds gold. So for every $2 you spend on gold bullion, spend $1 on silver. Per above, there are risks to silver that don’t exist for gold. We definitely want exposure to silver, but not more than its bigger cousin.

When you shop, remember that you’re looking for silver *bullion* – not commemoratives, numismatics, *etc.* The most popular silver bullion coins include American Eagles, Canadian Maple Leafs, and Austrian Philharmonics. Silver bars also qualify as bullion, which
have lower premiums than coins. “Junk” silver refers to dimes, quarters, and half dollars that were minted prior to 1965 and thus contain 90% silver. The drawback of junk silver is that it’s expensive to ship and bulky to store, while the appeal is that it’s highly divisible. We recommend starting with one-ounce coins, because they are the most recognizable – meaning you won’t get questions about their authenticity if and when you need to sell.

WHERE TO BUY PHYSICAL SILVER

You can buy silver online or with a local dealer, but either way it’s important to find a reputable dealer… as in every line of business, there’s no shortage of crooks.

If you know an honest, reputable coin dealer in your area, that’s a good place to start for smaller purchases. The US Mint publishes a Coin Dealer Database.

While we like our local dealers, you may find their prices are higher than the online dealers, even after adding in shipping costs. A brick-and-mortar store has expenses an online dealer doesn’t.

In our experience, the best places to buy physical silver are the following (be sure to tell them you’re calling from Casey Research to get the best deal):

1. **MilesFranklin.com** (1-800-822-8080). Miles Franklin has some of the deepest contacts in the industry and as a result has been able to source metal when many other dealers can’t. With some of the best prices in the industry, they’re one of our top picks.

2. **TheCoinAgent.com** (1-888-494-8889, or email thecoinagent@gmail.com). Proprietor Wayne Lemonier consistently has some of the lowest costs we’ve seen in the industry.

3. **BorderGold.com** (888-312-2288). Border Gold in Vancouver, BC is where we go for the Canadian Maple Leaf. Very competitive pricing from a dealer with an excellent, longstanding reputation.

4. **HardAssetsAlliance.com*** (877-727-7387; 877-7-assets). This program is among the most competitive for those who have $5,000 or more to invest, as your order is bid out to a network of dealers who compete for your business, ensuring that you get the best possible price. You can take immediate delivery or use one of a number of US or international storage locations. And it can all be done online. This is a breakthrough service in the industry.

5. **DavidHall.com** (1-800-759-7575). We go to one place for rare or numismatic coins: Van Simmons at David Hall Rare Coins, who actually helped create the
Professional Coin Grading Service. We don't recommend entering the numismatic world unless you are or are willing to become a knowledgeable coin collector.

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Keep in mind that premiums and delivery times will fluctuate according to market conditions.

There are other dealers, of course, and some may have good prices. The things to watch for are total costs (including product, shipping, and insurance) and availability; if a dealer claims it will take several weeks to “locate” the product, contact someone else. It's also not uncommon to find salespeople who push non-bullion products, such as proof sets or rare coins. These products have higher markups and generally should be avoided, since it's easy to overpay and almost certainly won't return the extra premium you paid. This tactic is especially true with the dealers that advertise on TV (they have to pay for those expensive ads somehow), so shop elsewhere if you get a hard sell.

Where do you store your silver? There isn't a magic bullet for safekeeping, as each form has its own risks. Physical silver is subject to theft and fire, while paper silver products (below) are subject to fraud and mismanagement. The most prudent approach is to own more than one form of silver, in more than one location, with an edge toward physical ownership.

**BEST SILVER ACCUMULATION PLANS**

You can buy physical silver automatically, thanks to two savings programs that can automatically withdraw money from your bank account.

So instead of trying to time your purchases each month, dealing with the hassle of driving to a dealer, or remembering to order, you can buy silver in automatic monthly installments. These programs store your silver (or gold), and you can take delivery at any time.

We’ve vetted these programs and have found **MetalStream** and **SilverSaver** to be the most convenient for automatically accumulating metal. Both will deduct funds from your bank account and buy gold and/or silver for you automatically. The former requires $100/month minimum but offers international storage in Singapore, while the latter will accept $50/month but offers only domestic storage. SilverSaver allows you to purchase gold, too, though it's more cost effective for silver. Storage is at the First State Depository in Delaware, and you can take delivery at any time.

BullionVault and GoldMoney are also good programs, but they aren't designed for deliv-
If you intend to eventually take possession and want a no-hassle way of automatically buying metal, MetalStream and SilverSaver are your best bets.

**SILVER DIVERSIFICATION METHOD #2: PAPER SILVER**

While there is no substitute for having physical silver under your immediate control, holding paper proxies for the metal can be a useful portfolio supplement. In recent years, the market has responded to burgeoning demand for convenient ways to trade commodities by creating a galaxy of exchange-traded funds (ETFs). These are designed to mirror the ups and downs of the underlying commodity and can be bought and sold like a stock. They do not provide delivery of metal to the average investor.

1. The largest and most popular silver ETF, iShares Silver Trust (SLV), buys and holds silver bullion in several London vaults, with each share trading at approximately the spot market price of one ounce of silver. SLV has done a good job of following silver’s price, posting gains that have been only slightly below that of the metal itself (due to costs). The annual fee is 0.5%.

   We like the ETF Physical Silver Shares (SIVR) even better, since the metal is stored in Switzerland and the custodial structure is less complicated. The expense ratio is 0.45%.

2. Want a fund with both gold and silver? Central Fund of Canada (CEF) is a closed-end fund that’s made up of roughly 55% gold and 42% silver. The major difference between it and an ETF is that ETFs are structured to keep the share price very close to net asset value (NAV). Not so with a closed-end fund, which responds more strongly to market sentiment. This means that shares in a silver-based, closed-end fund can trade at a discount to NAV – or at a premium. Over time, while CEF generally rises and falls in tandem with gold and silver, those who buy at a discount and sell at a premium will get an added kicker... and those who do the opposite will get kicked. To watch for the best entry point, visit the CEF website from time to time and click on “Net Asset Value.” The figure is updated daily. Annual fees total 0.48%.

3. Perth Mint Certificates (PMCs) are a form of paper silver. The advantage a PMC provides over ETFs is that it gives you instant international diversification, as metal is vaulted and insured by the state of Western Australia, the only government-backed bullion storage program in the world. The disadvantage is that they don't trade like a stock, as they’re designed for more long-term holdings. There is a $10,000 minimum initial purchase and a $5,000 minimum for subsequent purchases. If you live outside Australia, you must use an approved dealer; we recommend AssetStrategies.com (1-800-831-0007 in North America).
SILVER DIVERSIFICATION METHOD #3: SILVER STOCKS

Silver stocks are a leveraged way to play a rising silver price. You might look at silver as your defense and silver stocks as your offense. When the silver price really heats up, the equities will rise exponentially more. It is this volatility that will potentially bring us life-changing profits.

One bit of caution, though: with this added leverage comes added risk. Silver stocks exhibit greater volatility than silver, so…

Don’t view our company recommendations as family heirlooms you can hold into old age or leave to your children. At some point, we will be selling our stock positions to lock in big gains.

Avoid trading. You may read others who do this because of the volatility, but trading in our opinion is not a prudent way to capture the big gains. Keep in mind that you must be right twice to make one profitable trade; you must correctly time the bottom and correctly time the top to capture a gain. A wrong call on one of those can keep you from profiting. And worse – what if you get caught on the sidelines and the stock takes off without you?

Our best advice on how to buy a silver stock can be summed up in three words.

Buy. Hold. Repeat.

Buy only when prices drop. There are always corrections, and when those inevitable pullbacks come, you have the opportunity to initiate or add to positions at attractive prices.

Hold – meaning don’t trade it, time it, or run the risk of getting caught on the sidelines with stocks taking off. Plus, you’ll sleep better at night than those who wonder if their interpretation of a chart is correct.

And repeat until the rest of civilization joins us and pushes the prices much higher.

Until the mania kicks in, we do recommend taking profits when you’re up by, say, 50% or more. This is how we come up with the cash to buy more stocks and bullion.

By following this simple strategy, one can build positions at good prices over time.

Doug Casey has often said that his success as an investor has come down to one key factor: being able to recognize the difference between something’s price and its value. Whenever there’s a large discrepancy between these two in any form of investment, it’s an opportunity to profit. That's especially true with silver stocks right now.
SHOULD I JUST BUY A SILVER STOCK FUND?

No. One reason is because there are no mutual funds that invest only in silver equities. There are a couple dozen mutual funds that include holdings of both gold and silver companies, but none that invest solely in silver.

There is an ETF for silver producers, the Global X Silver Miners ETF (SIL). However, as with all ETFs, it takes a basket approach and adds a company when it meets certain criteria for size and trading volume, regardless of whether that company is a good investment. This is not the ideal way to invest in silver stocks, as it includes the bad with the good. We thus don't recommend this fund to our subscribers.

Instead, we recommend select producers that are more likely to outpace the industry as a whole. As proof that this is a more effective approach, SIL fell 22.1% in 2012, while our #1 recommended silver stock rose 15.9%.

OUR SECRET TO PICKING SILVER STOCKS

When it comes to picking silver stocks, BIG GOLD seeks out the most undervalued and makes them long-term holdings. We start by analyzing the standard metrics: P/E ratios, revenue growth, market capitalization (or market cap), and debt/equity. That last one is particularly important; if a company is carrying too much debt and has to refinance to fund operations, it's not likely to raise the cash on very favorable terms.

There are other factors unique to our sector that must be considered. We look closely at what proven reserves a company has in the ground, how quickly it'll be able to get them out, and at what cost. Once we know this, we can calculate a net asset value for each miner that enables us to compare it to its peers.

This net asset value, put through our proprietary mathematical model, allows us to assign each company a number we call the Valuation Ratio (VR). A VR of 1.0 denotes a company that is fairly valued, so the further a stock’s VR falls below 1.0, the more undervalued it is. Conversely, companies over 1.0 would be overvalued. Our valuation ratio is updated every 30 minutes during trading hours.

After taking into consideration a silver miner's VR, along with the standard metrics, we then plug in the intangibles, asking questions like: Are the company's mines in politically stable areas? How strong is management's experience? Are the local governments supportive? And so on.

The answer to some of these questions explains why we don't recommend some of the largest silver miners, despite having low VRs. In the end, we arrive at a list of what we believe are the best of the best.
OPPORTUNITY FROM CRISIS

Crisis and opportunity are as tightly bound as gold and money. The current challenging market brings with it tremendous opportunities for investors in precious metals. Many of these opportunities are presented every month in BIG GOLD from Casey Research.

I’d like to invite you to give it a try for just $99 for a full-year, 12-issue subscription. It’s completely risk-free—and you can cancel any time within 90 days for a 100% refund. As soon as you subscribe, you’ll have access to our portfolio recommendations, recommended dealers and storage facilities, and all back issues.

I hope you’ll join us for what we believe is a life-changing investment opportunity.