

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE  
**IAN'S INVESTMENT INSIGHTS**



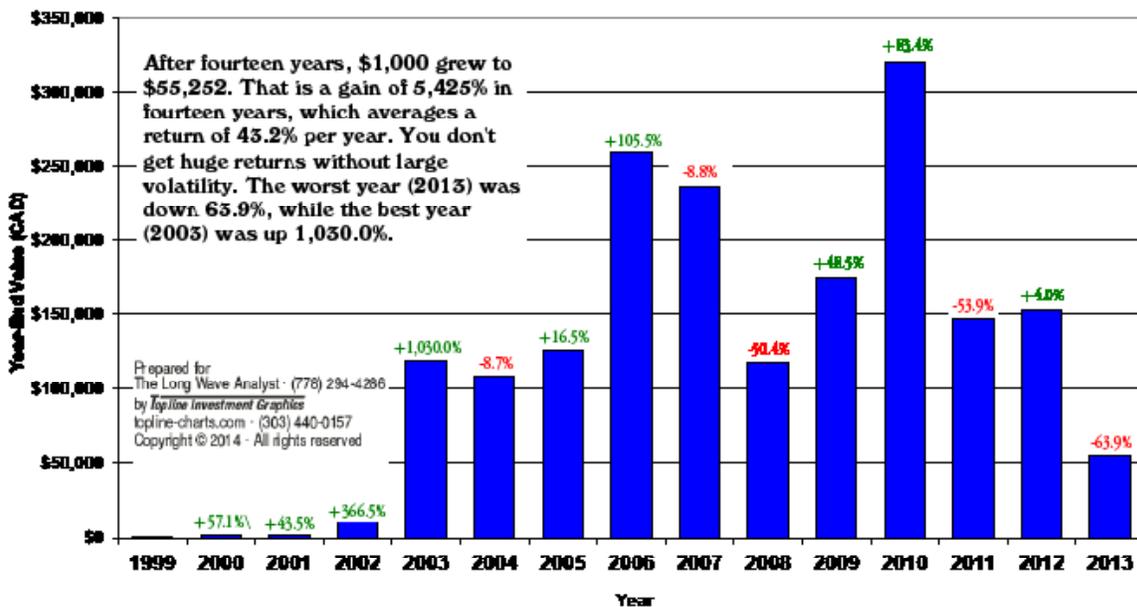
Managing My  
Investments in  
2014

The New Year allows us to reflect upon the past year and set our investment goals for 2014.

As for 2013, it has been an investment disaster. My retirement account, which is 100% invested in junior precious metals companies has lost a little more than 60% of its value and that is not something you want to see happen, especially as I will be forced to start drawing it down by the end of 2014.

Here is the annual performance since 1999. The performance since 2010 has been very poor, but overall I have still managed to achieve an annual average rate of return of 43.2% since 1999 and that's better than most.

**Ian Gordon's RRSP**  
(unaudited, rebased to \$1,000 in 1999)



Of course, I am entirely responsible for my investment result. There really is no excuse for allowing such a loss.

As I have detailed to you in Ian's Investment Insights Special Edition, November 2013, gold stocks as evidenced by the HUI made a key point reversal top in September 2011. These reversals on monthly price charts are almost infallible in predicting a long term trend reversal. That reversal certainly did because it indicated the peak in prices for the bullish phase of the HUI 3rd long term cycle and the commencement of the bearish phase of that long term cycle. In the chart of the HUI from January 2008 to January 2012 depicted below, that key point reversal is clearly visible. I took the liberty of showing the key point reversal high in March 2008 to show the importance of this indicator. That reversal in March 2008 was the peak of the bullish phase of the 2nd long term cycle for the HUI. The bearish phase of that long term cycle ended in October 2008 and that was the start of the 3rd long term cycle. Anyway, I should have told my readers after the HUI Key point reversal in October 2011 to exit their gold share positions in anticipation of the bearish phase of the 4th long term cycle.; I didn't, nor did I act accordingly on my own behalf. My excuse is that I didn't see it. As I have written, I won't let that happen again and will be far more chart vigilant in the future.

#### Monthly chart of HUI (Gold Bugs Index) Jan 2008-Jan 2012



That the 4th long term bullish phase has not yet commenced is attributable to vicious manipulation in the gold market. No, I am not making an excuse for my investment performance when I write that, I am simply stating the obvious. This ongoing gold price manipulation has been very destructive not only to the price of the precious metals themselves, but also to the precious metals stock prices. This has likely caused the demise of several junior mining companies, many of which possess a dedicated management team with viable assets.

We know that all cycles, including investment cycles are governed by natural law. This means that they will always follow a preordained path from the beginning to the end of the cycle. The end of a cycle is its beginning.

Unfortunately, the course of investment and economic cycles can be temporarily influenced by the introduction of additional money in an effort to forestall the negative aspects of these cycles. While these efforts may temporarily bring relief, they can never succeed; indeed, the greater the monetary effort prevailed upon to negate the negative aspect of economic and financial cycles, the more calamitous is the

ultimate result as the cycle resumes its natural course. To this end, during 2014, we should expect that the general stock market is likely to face a crash in prices and precious metal and precious metals companies are likely to catapult to much higher prices. Our study of cycles suggests that both events are likely to occur in the 1st quarter of the year.

So with my bullish outlook for the precious metals prices in 2014, I now turn my attention to my principal investment account, which is my RRSP (Registered Retirement Savings Plan).

During 2013, I made several adjustments to my individual holdings, in order to position my account as best as I could for an anticipated return to bullishness in the precious metals. I never have harboured any fear of weighting my holdings, giving the largest weighting to what I consider will be the best price performer. In that regard, I am not adverse to being heavily over weighted in just one company. So the adjustments that I was making during 2013 and particularly during December was to achieve the weighting that I wanted by the onset of 2014. In December, I was even selling stock for \$0.01 to purchase shares in the company that I wanted to have the greatest weighting in the account. This was Barkerville Gold Mines (BGM/V). Barkerville's year -end share price was \$0.41. That price plus the number of shares in the account was equal to 52.77% of the total account value as of December 31/13.

In 2014, all precious metals stocks should advance in conjunction with the anticipated rise in the prices of the precious metals themselves. Beyond this, I am looking for the fundamental reasons that will positively impact each of my stock positions during the coming year.

Since Barkerville is my largest holding, let us look briefly at my fundamental analysis of this company's outlook for 2014. You can see a report on the company that I published on my website here-

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In summary, Barkerville's gold resource is going to grow appreciably during 2014. The Cow Mountain deposit should increase from the published NI 43-101 5 million ounces to better than 6 million ounces and the integrity of this resource should advance as should the grade.

Apex is conducting a NI 43-101 resource estimate on Island Mountain. While I have no idea what the numbers are going to be I suspect they will be greater than 1 million ounces, given the amount of past gold production from that location.

Thus the Barkerville 5 million ounce deposit should grow by at least 40% during 2014. Money permitting, further drilling during the year should also add to positive news flow.

As the price of gold increases, so does the value of gold in the ground resources. At \$0.41 per share, Barkerville's market capitalization is \$45 million ( $\$0.41 \text{ per share} \times 109.85 \text{ shares outstanding}$ ). The value of the 5 million ounces of gold in the ground is therefore \$9.00 per ounce (Market cap. =  $\$45 \text{ million} \div 5 \text{ million ounces of gold}$ ). That is very cheap, considering the quality of these 5 million ounces, which is expected to improve considerably following the publication of the new resource estimate.

Since I am very bullish about the gold price in 2014, let us assume a gold price of \$1400.00 per ounce, which I have no doubt will be attained sooner rather than later in the year. At that gold price the value of quality gold in the ground ounces should be priced at a minimum of \$30.00 per ounce. I expect that Barkerville's ounces will have grown to at least 7 million, which equals a gold in the ground value of \$210 million ( $\$30.00 \text{ per ounce} \times 7 \text{ million ounces}$ ). Let us assume that Barkerville's outstanding shares have been increased from 109.85 million to 125 million. Under these assumptions Barkerville shares should be trading at \$1.68 per share ( $\$210 \text{ million gold value} \div 125 \text{ million shares}$ ). This is the value that I given to the Barkerville shares in my portfolio.

I undertake a similar fundamental analysis for each of the companies in my portfolio.

I have investments in two companies that closed the year at \$0.03 per share. Both companies have quality assets. In a rising gold price environment it isn't difficult to envisage that each of these company's share price value might increase to a minimum of \$0.10 per share and that is the 2014 value that I have assessed for them.

After I have completed my fundamental analysis I analyze the Daily, Weekly and Monthly charts for each of my holdings. Let's look at a couple-

**Terraco Gold Corp. (TEN/V) Weekly Chart**



Terraco's share price has been in a basing pattern since March 1, 2013, which is a long time. A breakout will be signaled with a weekly price close above \$0.15. A review of Terraco's monthly price chart shows two similar previous basing patterns. Following price breakouts from these patterns Terraco's share price at least tripled within a few months. This kind of bullish price action is to be expected following price breakouts from long basing patterns. Thus, I have accorded a price of \$0.45 to the Terraco shares in my account

The following chart depicts the weekly prices of Temex Resources (TME/V). While this chart does not show a clearly defined basing pattern, it does appear that there is a rounding price bottom in progress and that is bullish. The double top at \$0.17 should act as resistance, but that price level is double the closing price on December 31, 2013, which by itself would amount to an attractive price gain. A closing break above \$0.17 would suggest a move to at least 0.36 and that would be 4X the 2013 closing price. Given the bullish outlook for the price of gold and gold stocks Temex's share price could easily attain that level in 2014.

**Temex Resources Corp (TME/V). Weekly price chart.**


Following my fundamental and technical analysis for each of my account holdings, each stock has been assigned a price target for 2014. These assigned values, collectively, are expected to raise the value of the account from the rebased value of \$55,252.00 effective December 2013 to \$201,850.00 during 2014.

At month's end during the year I will plot the price of my holdings against the 2014 target price and measure my performance.

What happens when one of my stock positions attains its price objective? Then I fall back on a yardstick that I have used since 1999, which is can I see a price double within the next ten months. Let me give you an example; assume that Terraco's share price reaches my \$0.45 target price. Is it possible for Terraco's share price to move to \$0.90 within ten months?

I am confident that I will have the price of precious metals on the side of all my holdings, but in addition to that that what will it take to push Terraco's share price to \$0.90 within ten months? In this case, I would likely consider the very valuable royalty call options that Terraco has acquired on the Barrick/Midway Spring Valley project in Nevada. Does the market appreciate the value of the royalty or does a royalty company like Franco Nevada make an offer to purchase the royalty from Terraco?

My stock positions going into 2014 are likely to be very different from my stock positions coming out of 2014, because I am constantly managing my account in an effort to achieve the highest returns.

I am confident that precious metals will resume their secular bull markets in 2014 and that the prices of precious metals stocks will do likewise.

I wish you all a very happy 2014 and a successful investment year.

**Written By: Ian Gordon**

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**"Those who cannot remember the past are condemned to repeat it". Santayana**