Minutes of the Advisory Board Meeting
Incrementum Inflation Diversifier Fund
April 11, 2017

US GOING TO WAR WITH NORTH KOREA AND GOLD GOING BELOW $1,000?

Highlights of the conversation:

Jim Rickards:

- Gold is doing well, most likely because of geopolitical factors
- Currently the biggest geopolitical risk is North Korea
- Kim Jong-un is sticking to his nuclear program, but he is making a huge miscalculation
- We might be heading to war with North Korea
- We could see the dollar and gold start moving in the same direction

Josh Crumb:

- The Fed has removed duration and credit risk from the market (i.e. large tail events)
- The market is mispricing the current geopolitical risks
- The dollar is driven by an unwinding of carry trades, not a flight to safety, and therefore I don't believe the dollar gets stronger from here
- I look at the entire economy as a stock of energy assets with a given decay, and gold is the ultimate measuring stick

Roy Sebag:

- Recent behavior of our clients suggests people are fearful
- Governments are focusing on avoiding war, not creating prosperity
- Central banks do not know how to deal with a tail event

Heinz Blasnik:

- The macroeconomic factors driving gold are not looking positive
- Money supply growth is slowing
- But gold is holding up, suggesting it has decoupled from fundamentals
- I believe the big money are buying gold, even if retail investors are selling

Frank Shostak:

- Money supply growth has been decreasing considerably in Western countries
- Monetary growth in China is accelerating
- Gold could go below $1,000
- A new bull market in bonds could start before long
- It's likely the Swiss Franc and the Dollar will be strong this year

Ronald Stöferle:

- Bullion dealers are seeing physical demand collapsing
- Two triggers could move gold: weakness in US economic data and weakness in credit growth

Mark Valek:

- Trump seems to have changed his political stance dramatically with the Syria attack
- Geopolitical factors will likely play a greater role in financial markets

Biographies of Our Special Guests:

Roy Sebag

Roy Sebag is the Chief Executive Officer of Goldmoney Inc. He has been an active investor and portfolio manager for over a decade specializing in distressed, event-driven, and natural resources investments.

Josh Crumb

Josh Crumb is the Chief Strategy Officer & CFO at Goldmoney Inc. Josh was previously the Senior Metals Strategist at Goldman Sachs in the Global Economics, Commodities and Strategies research division in London.

Transcript of the conversation:

Ronald Stöferle:

Gentlemen, welcome to this advisory board call. We've got two special guests today, the co-founders of Goldmoney, Josh Crumb and Roy Sebag. It's a great pleasure having you on the call gentlemen.

I'll start off by letting you know what's happening on our side. We are currently writing the 11th edition of our "In Gold We Trust" report. It will be published on the 1st of June. We are introducing a couple of new innovations for the report and we are also building a webpage (ingoldwetrust.report) to increase distribution. Additionally, we are close to finishing our second book and we will be launching the new Incrementum website soon.

I'll pass it on to Mark who will start with an introduction about the topics we will discuss today.

Mark Valek:

Hello everybody, thanks for taking the time to be here. Let's just jump right in.

We all know that Donald Trump was extremely critical towards the previous interventions in Iraq and Libya during his election run, and he was also critical towards further intervention in Syria. Recently he seemed to have changed his stance on quite dramatically. Ron Paul went so far as describing the events with these words:

"Thursday's US missile attack on Syria must represent the quickest foreign policy u-turn in history. Less than a week after the White House gave Assad permission to stay on as president of his own country, President Trump decided that the US had to attack Syria and demand Assad's ouster after a chemical attack earlier in the week."

Maybe President Trump was moved so much by the events last week that he completely changed his mind about the interventions in Syria. Or maybe he has received new intelligence, which changed his position. The obvious thing one could assume is that this move was executed in order to put his administration in a stronger position vis-à-vis his domestic opposition (Russia allegations!) but also vis-à-vis negotiations with North-Korea and Iran. Perhaps this strike was a onetime unilateral action, but if not **we think geopolitical factors could come back to play a greater role in financial markets again.**

In my opinion there are quite a few indications that the US-administration's position has changed dramatically during the last week; one of them being the change in the US National Security Council. Another one the intense diplomatic contact with the traditional allies of the US in the Middle East Turkey, Saudia Arabia, Quatar and Jordan. Personally I have to say I become somewhat skeptical as soon as the images of babies are presented in a big way in the mainstream media for a very specific tragedy – and a politically convenient culprit is also been presented. This could potentially be seen as a strategy change.

With that said we would like to hear your thoughts about the repercussion of these events on financial markets. Jim, why don't you start?

Jim Rickards:

I agree completely that geopolitics are driving the price of gold, and affecting other markets. And they will continue to be a driver. The Fed is currently on a tightening path and that's normally a headwind for gold, but gold is performing very well. I'm surprised about how well gold has performed over the last month given the macroeconomic headwinds. So I believe there is something else driving gold, and there are two possibilities in my mind. Firstly, it could be good old-fashioned supply and demand. I have met with several physical dealers, e.g. in Shanghai, and everything I'm seeing is indicating tightness in supply and strong demand. But I think the real driver right now is geopolitics.

Gold (weekly), Coppock Curve and Stochastics

Source: Investing.com

But I disagree that Trump has changed position, because that presupposes he had a position in the first place. There is no Trump doctrine. He is very situational. I think this attack was a specific response to the gas attack. I wouldn't read much into it. However, it does throw one more wildcard into the deck. Firstly we have to remember that Trump is surrounded with generals and he listens to them. And not to be glib, but in some ways this is just target practice. Given the size of the US military they are always looking to test out their weapons and test the accuracy, so they didn't mind firing 59 cruise missiles into Syria.

With that said I don't think Syria is the biggest geopolitical driver. I think it's North Korea. Just to drop an historical footnote, most wars historically don't happen because people think it's a good idea to go to war. The classical example is WW1 where 20 million people got killed, four empires fell, France and England went broke and all the leaders of the warring countries were dead or in exile by the end of the war. Had you told the crown heads of Europe in June before the war what would happen, they probably would not have thought war was a good idea.

This makes the point that people go to war because they miscalculate, and what I see in North Korea is Kim Jong-un making a huge miscalculation. He doesn't want to start a nuclear war with the US, but he wants to be able to threaten the US with nuclear weapons. His rationale is that it's a deterrent against the US toppling his regime. To give some more background, both Saddam Hussein and Gaddafi had nuclear programs, but gave them up. And they both got killed. The Iranians had a nuclear program, and they did not give it up, and they are still standing. So unfortunately the US has sent the message that if you give up your nuclear program you end up dead, but if you maintain it you can keep your regime.

So Kim Jong-un has looked at that and said that he will keep his nuclear program going to perpetuate his regime. And North Korea is making big improvements to its missiles; they have medium range missiles and are working on developing intercontinental missiles. And when one of these missiles blow up they don't look at it as a failure, but as a learning experience. They keep persisting and they are getting better and better. They are maybe three years away from being able to fire a missile at Los Angeles and killing three million Americans.

However, that will not be allowed to happen and the US is basically saying that North Korea needs to steer away from its program, or the US will destroy it. Kim Jong un's calculation is that he needs to persist with his program because if he doesn't he'll end up like Saddam Hussein and Gaddafi. Also, as they perfect this technology they are selling it to the Iranians, and **North Korea is getting paid in gold. North Korea is little by little getting excluded from normal payment systems (e.g. SWIFT), but they can still be paid in gold because it's less easy to track.** But this is where it gets really dangerous; if they let the program grow, the US might have to use tactical nuclear weapons, which is the first time since WW2. What the US therefore prefers to do is to take out the program as soon as possible, because then they can use traditional weapons.

If we put all this together we have a situation where North Korea is persisting in its nuclear program, but the US is adamant about not letting North Korea progress further, and this reminds me of 1914 when the European leaders all misunderstood the intentions of each other. The US is putting pressure on China to help out with North Korea, which is why Trump has not made his promise of labeling China a currency manipulator yet. But the problem is that China can't help because North Korea can open their borders and let two million refugees into Manchuria, which would be destabilizing for China. **If we put all that together we're heading for war with North Korea and that's a strong tailwind for gold and a strong headwind for equity markets.**

Mark Valek:

Thanks a lot Jim. I have a short follow up; if this very complex system unravels the way you described I think one of the crucial questions for financial markets is what could happen to the price of the US dollar because the knee-jerk reaction would obviously be dollar strength, however could you potentially envision a weaker dollar and higher inflation?

Jim Rickards:

It's a great question. I think that in the long run the driver for the US dollar is the geopolitical vector, but not in the short run. **And if we do get a geopolitical crisis we can see gold and dollar moving in the same direction, which a lot of people don't think can happen.**

But there are other factors driving the dollar at the moment, which is mainly Fed policy, which is tightening. And then Trump owns the Fed because he has three vacancies right now. There is currently one Republican in place, Jay Powell, but now he will get three Trump appointees by his side in a matter of weeks. And then Yellen's term is up at the end of January, and then Stan Fisher's term is up in June 2018 and he'll be replaced as well. **So Trump will have five appointees within the next 14 months, and with one person in place (Jay Powell) he'll effectively control six of the seven seats of the board of governors.** You can forget the reserve bank presidents; they are not listened to inside the boardroom, except for Dudley.

No president has had this much power to change the Fed in such a short time since Woodrow Wilson in 1914. So basically Trump owns the Fed, and he'll get what he wants. But the question is what he wants. There has been a lot of speculation, but I can't emphasize enough the he is situational, mercurial and reactive so you can't count too much on what he has said in the past. What I think is that we won't fight a currency war with a weak dollar. We'll skip that and go straight to a trade war because we don't want to put pressure on China because we want their help with North Korea, so it looks like Trump is ok with a strong dollar.

He is surrounded by people (e.g. David Malpass and Steve Moore) who are strong dollar people. Trump will therefore go with a hard-money board, which means Taylor rule people**. There's a big chance that Kevin Warsh will be appointed to the board, and if he is it's almost certain that he will replace Yellen as Chairman.** But what Warsh is now doing is looking for some guarantee that the other people on the board will be people who agree with him. And Warsh is a Taylor rule guy; he thinks interest rates should have been 2% two years ago. Therefore the Fed is already on a tightening path and I expect they will raise rates in June, and let's see about September.

So we will have a board that wants hard money and tight money policy. But here's the problem, the Fed is tightening for the wrong reasons. They're not tightening because the economy is strong, they are tightening because they have to catch up after Bernanke failed to raise rates in 2010 and 2011 when he should have. **The result is that the Fed will likely cause a recession, perhaps by this summer,** and as a result they may have to ease policy again by late summer, not because they want to, but because they have to. **When they do this flip flop (from tightening to easing) it will be another tailwind for gold.**

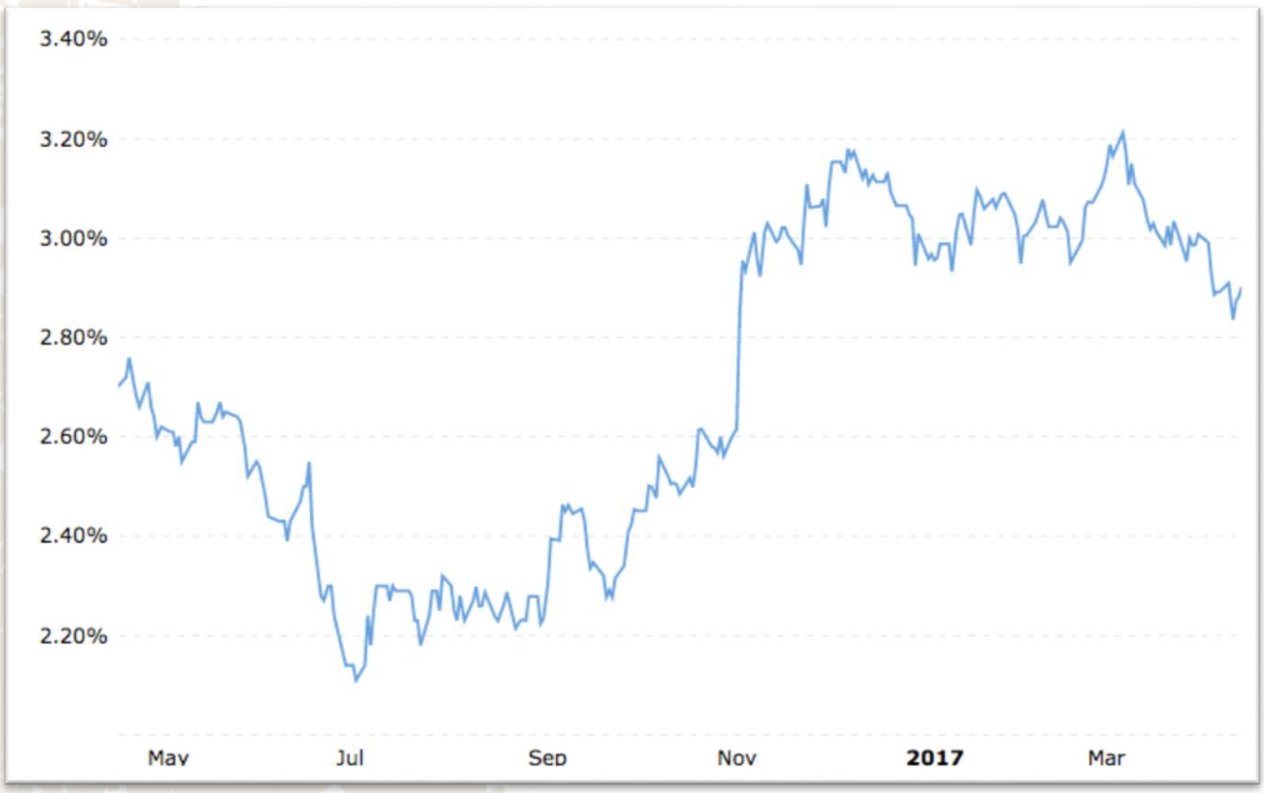
Mark Valek:

Great, thanks a lot Jim. You covered a huge spectrum of interesting topics. I'm interested to hear what our other participants have to say. Josh, what is your perspective on all this?

Josh Crumb:

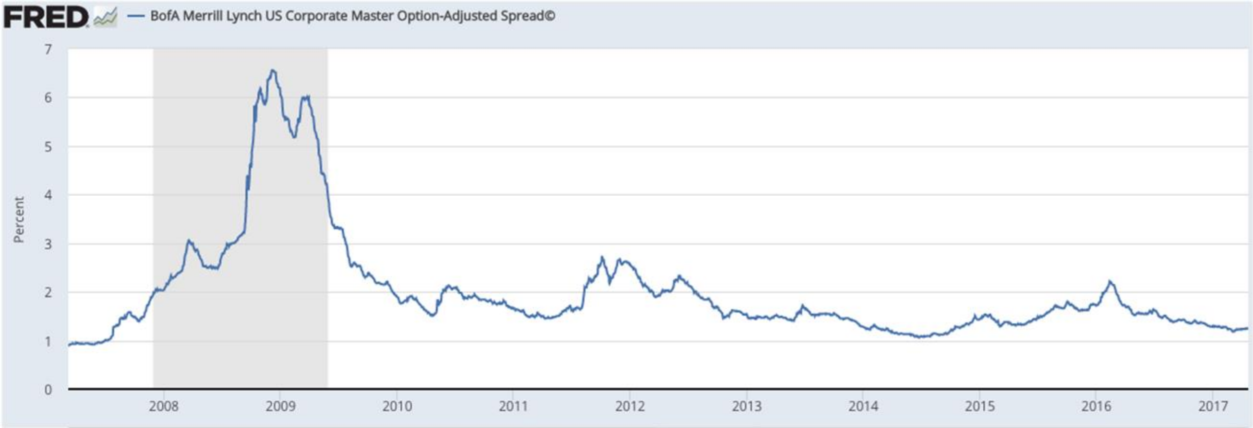
I was going to make the same point as Jim, that gold is doing surprisingly well given the tightening of forward guidance. However, I emphasize that it's tightening of forward guidance, not actual tightening of policy. You also see a flattening of the yield curve and long bonds increasing in price (yields falling), so we see gold performing in line with other macro assets and I would say that the heightened political situation that Jim described has not actually been fully priced in. And I think there are two reasons for that: the first is that the Fed has taken duration and credit risk out of the market so the market will not price these geopolitical risks appropriately.

30 Year Treasury Rate (1-year chart)



Source: Macrotrends.net

BofA Merrill Lynch US Corporate Master Option-Adjusted Spread



Source: St. Louis Fed

I remember a conversation I had with Larry Summers about a year ago, he laughed at me and basically said: "*do you believe the central banks will ever allow a real credit event ever again?*" And what we are seeing today is that most of the volatility today is sitting in a wide range of currencies, but without any of those big tail moves.

And the other part of this that has changed, which the central banks can't control, is the way commodity markets changed, particularly natural gas and oil. Consequently the world is very different structurally because the process of mining and utilizing energy has changed so significantly that you don't have the same types of elasticity and volatility within the oil markets because there are high inventories and excess capacity. So I think that between central banks removing any tail risk from the market, and not having the same elasticity in the oil market as we had before, the market has changed the way it prices geopolitical risk.

Mark Valek:

Thanks Josh. I have a short follow up question; do you have any opinion on what the dollar will do from here?

Josh Crumb:

I have actually never believed that people buy the dollar because of flight to safety. Instead I believe that the unwinding of carry trades is much more important. **If we look at the Yen, people believe it's a safe currency, but there's no other currency that is structurally worse than the Yen.** But when market risk sells off, people have to unwind their carry trades.

With that in mind I don't necessarily believe the dollar gets stronger from here.

Mark Valek:

Roy, what are your thoughts and could you give us some views of how things are looking from your perspective, especially considering that you run Goldmoney?

Roy Sebag:

I recently saw a documentary called HyperNormalisation and the central premise is that over the last 50 years global politicians have stopped trying to experiment with systems of government that would increase the prosperity of the people and have instead focused on controlling the people to avoid war. I think that the central bank model that has been employed over the last 15-20 years assumes political stability as a baseline and someone like Trump who is probably taking more of a "first principles" approach when it comes to existential threats like Syria or North Korea can totally change that paradigm. **So if we do enter a war how will the central banks deal with that, given that they thought they could control every tail event?**

In terms of our service, we have not seen that much buying of gold over the last 1-2 months, but actually more selling of gold, which was strange to us. Apart from that we are seeing a stable growth in usage. Our overall service is growing about 20% a month. In the last three days we have seen some very large deposits, and whenever I see those types of deposits it tells me that people are fearful. But in general, over the last month and a half it seems to me that the market has been waiting for a large selloff, but that has not come yet.

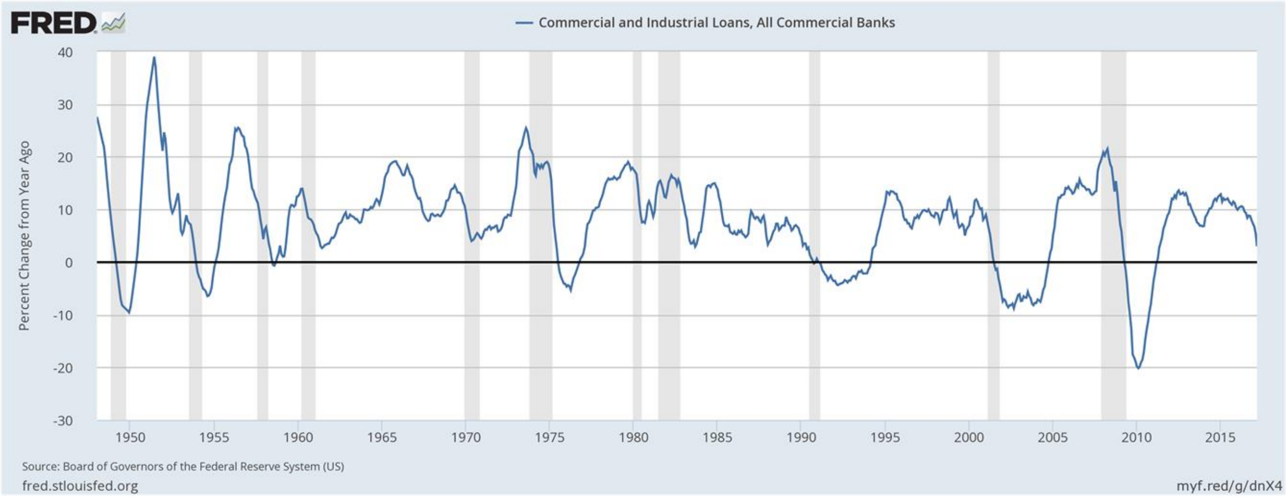
Ronald Stöferle:

What you are saying is very interesting, Roy. I attended a conference last week and I talked to a lot of bullion dealers and they were astonished to see physical demand collapsing. They all said, and I talked to four different dealers (big players in the German market), that their sales were down between 70% and 90%. One company said they didn't have any orders for 20 hours and normally they have up to 50 orders per minute. I think it's a consequence of price action, but it's still very surprising to see.

In my most recent keynote (the Denver Gold Show, European Forum) I said that there are probably two main triggers that would make gold pick up momentum: one would be a further weakness in US economic data, which we have seen lately, and the other would be further weakness in credit growth. I point to these two triggers because they would both make the Fed reverse their tightening policy.

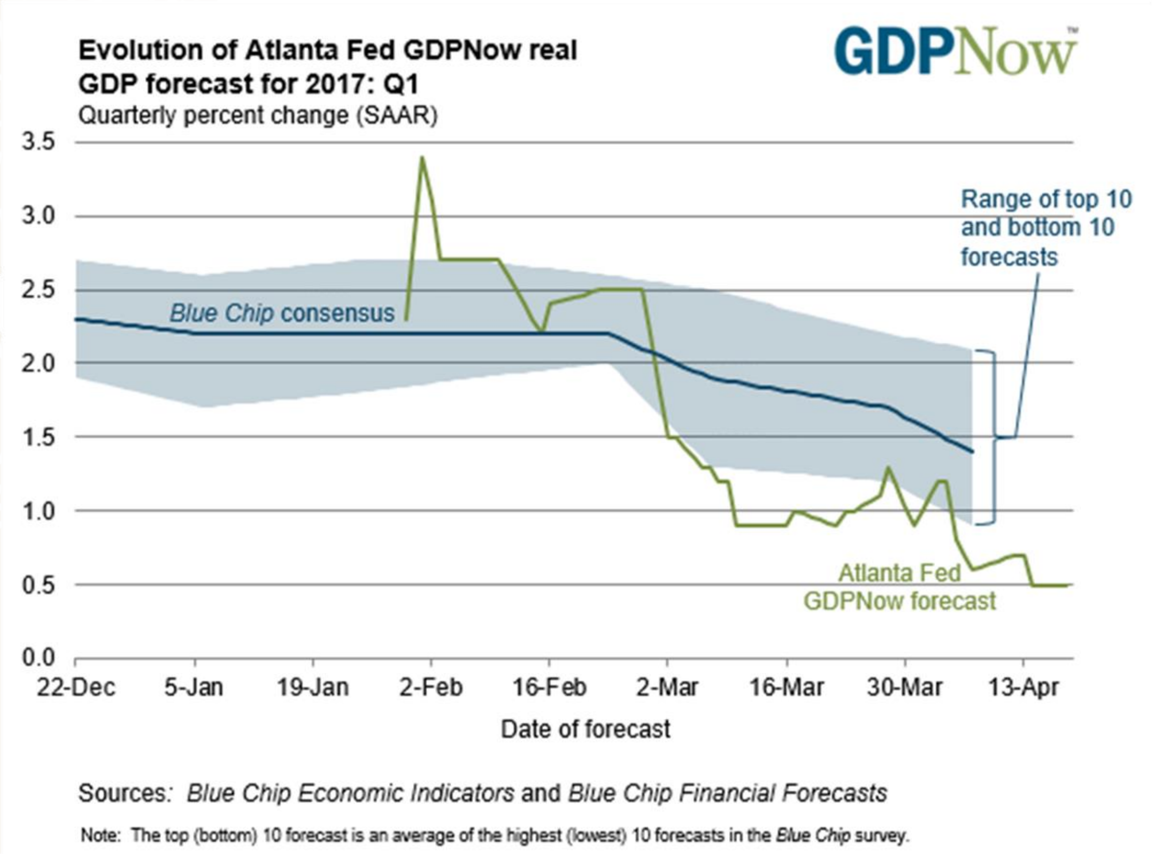
Heinz, what are your thoughts regarding this?

Commercial and Industrial Loans, All Commercial Banks



Source: St. Louis Fed

GDPNow



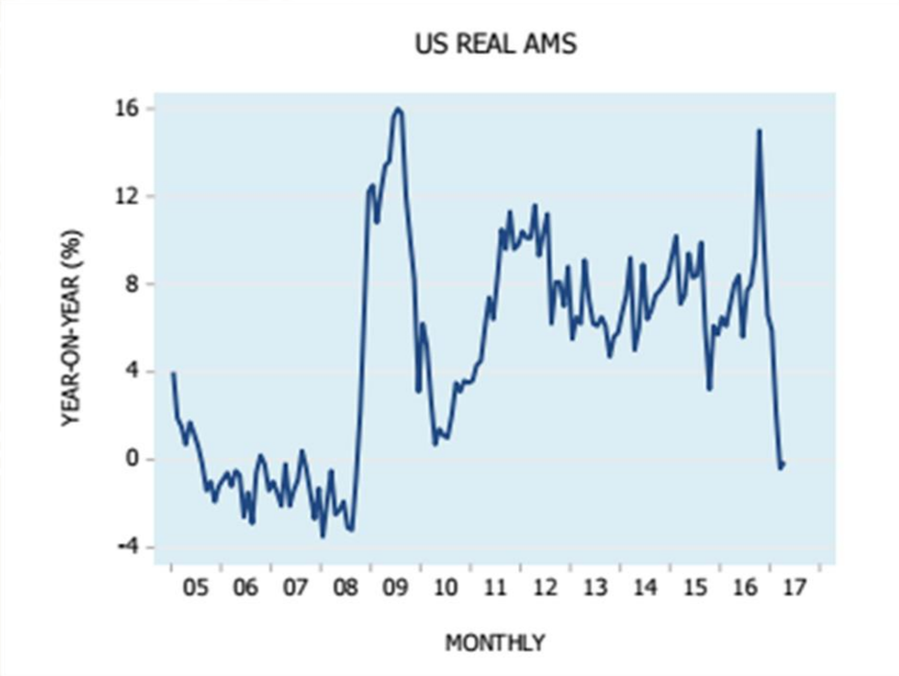
Source: Atlanta Fed

Heinz Blasnik:

Currently most of the macroeconomic factors that usually drive gold are not looking too good. Money supply growth is slowing considerably, and that has to do with the decline in credit growth because there is no QE.

The “Austrian money supply” includes certain items that are not included in the traditional monetary aggregates, and one of those is the money held by the US Treasury in the general account at the Fed. This is actually money, and it goes back into the economy as soon as the Treasury spends it. And what happened last year is that due to new money market regulations, dollars have returned to the US from the Eurodollar market. US money market funds used to buy commercial paper issued by European banks, but now they have shifted those to Treasury bills. And on that occasion the Treasury has issued a lot of debt to enable US money market funds to make these purchases. So the amount of money in the US Treasury’s general account at the Fed increased enormously last year and at the same time we did not see a slowdown in the growth of deposit money in the US. We would expect to see such a slowdown if US investors were buying Treasury bonds because the money moves from their deposit accounts into the general account at the Fed so there should be no net change to money supply. But in this case there was a net change because that money came from Europe.

US Real Adjusted Money Supply (adjusted for inflation)



Source: AAS Economics

And now the Treasury has started to spend that money, which is a one-off event. The Treasury has drawn down that money, but there has apparently been no offsetting growth in deposit money because we see money supply growth coming down considerably.

Another important factor, apart from the slowing money supply growth, is that the dollar index does not look too bearish right now. If we look at real interest rates, in the form of TIPS yields, in the near term there's a divergence compared to gold. Real interest rates trended up, but gold did not come down, which is interesting because there is usually a strong negative correlation.

Therefore we can state that the gold price has currently decoupled a bit from its fundamentals. Credit spreads are also very tight, which is not bullish for gold. So why then is gold holding up so well? On the one hand you can say it's supported by geopolitical events, however experience shows that these events have only a fleeting impact. So I think the better explanation is that big buyers are holding or buying gold at the moment, outweighing weakness in retail demand. The reason why the big money is buying is probably because they are looking beyond the current economic backdrop; they are looking at the future reaction of the Fed, i.e. the Fed might currently be on a tightening path, however the big money believes the Fed will reverse this policy at some point.

Jim Rickards:

I just want to make a quick point; there is a reason why money supply is shrinking in the US and the reason is that Trump has promised tax reform. Two of the issues on the table are the elimination of interest expense deductions for corporate borrowers and getting rid of depreciation to allow expensing in the first year, e.g. previously if I bought a piece of equipment with a five year useful life I'd have to write it off over five years; now I can expense it in one year. Those are probably good things for the economy, but here's the problem. That bill has caused borrowing and investing to come to a complete halt. Commercial loans are declining and investments are declining, which is very negative for GDP. The money supply is shrinking and it probably will cause a recession because businesses like the policies, but they will not do anything. Why would they take a loan if they don't know if the interest will be tax deductible or not? Why should they make an investment if they don't know if they can expense it straight away, or have to write it off over five years? So because of the uncertainty, businesses have slammed on the brakes.

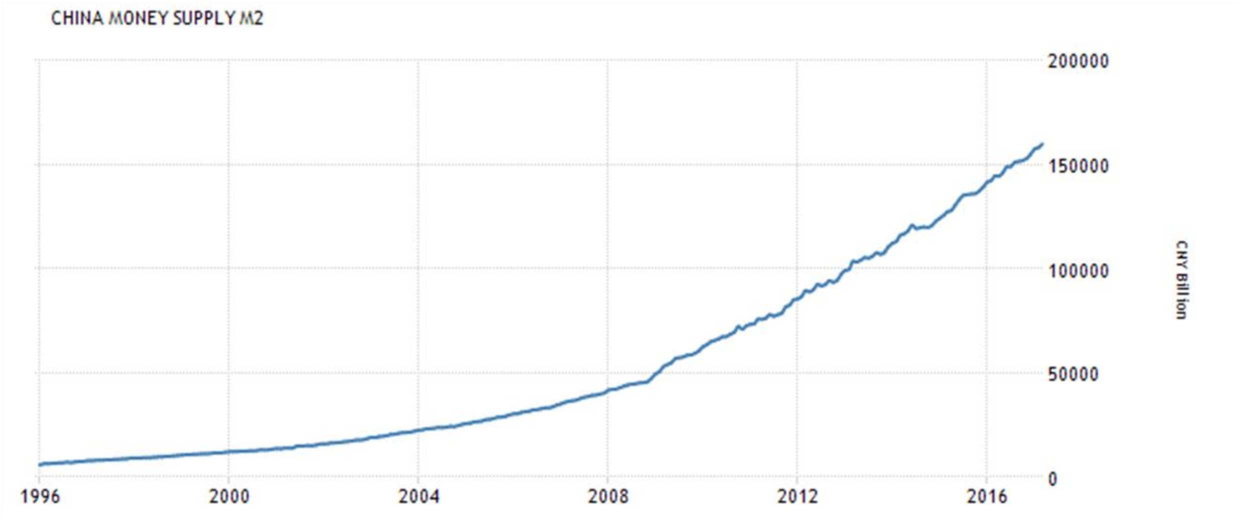
Mark Valek:

Frank, what are your thoughts in general about the current market situation?

Frank Shostak:

From a US monetary perspective we have observed for a long time that the rate of growth has been declining (since about 2012). **Our Adjusted Monetary Supply measure was around 14-15% in 2011, but in March this year it fell to 2%**. When we see such a decelerating trend, it leads to pressure on economic activity. We are concurrently seeing softening in the monetary trend in other countries like in the European monetary union, in the UK, in Japan and Switzerland. In China on the other hand the underlying tendency is up. Chinese authorities are currently inflating the money supply, but it remains to be seen if they will continue. Likewise, if you look at Australia, the underlying money supply growth trend is declining.

China Money Supply M2



Source: Tradingeconomics.com

The interesting thing is that the price inflation that people were expecting to happen in many countries has not happened yet. We don't expect much price inflation going forward, maybe 3% year on year in the CPI and then we are expecting some gradual softening. So we are not expecting massive price inflation whatsoever. As far as the effect of various variables that we are using to assess the price of gold, most of the macro fundamentals are not supportive for gold (not counting geopolitical factors, which are unexpected events). All I can say is **that our underlying models suggest that the trend for gold is negative, and by year-end it would not surprise me if the price of gold is $1,100 and by December 2018 it could be slightly less than $1,000.**

Another interesting factor is the possibility that the Fed will shrink its balance sheet. Our model currently has 300 equations so it allows us to play around a little bit. We have done some simulations and have reduced the balance sheet of the Fed to around $1 trillion for next year and the results are not very dramatic, but it suggests that in terms of the stock market the trend could be flat or down. For the Treasury bond market, the yields during a normal scenario are expected to peak in the middle of this year, and then a new bull market in bonds could start (according to the model). An alternative scenario that could result from the Fed reducing its balance sheet is that yields could peak sometime in Q1 next year and thereafter a bull market could commence.

Ronald Stöferle:

Frank, you have a brilliant publication that I really like called The Macro Maverick. I had a look at the January edition and I thought you had a very interesting view; you said a Swiss contraction would be the biggest macro trade of 2017. You were very bullish on the Swiss Franc versus both the euro and the dollar, and especially against the Japanese Yen, and I was wondering if you still hold that view?

Frank Shostak:

We try to assess everything in terms of fundamentals and I believe one of the important factors is the money supply because the effects happen with a time lag and therefore it gives us interesting information ahead of time, if you will. With this in mind I look at currencies from the money growth differential perspective and if we currently look at the Swiss money supply there was a contraction in money supply vis-à-vis other currencies, and therefore the Swiss Franc is strong relative to other currencies. So I am still maintaining my view from that January report, i.e. I believe the Swiss Franc will be strong. And I also believe the US dollar will be strong versus the euro, but not necessarily versus the Swiss Franc.

CHF/EUR Last 6 Months

Source: Investing.com

Mark Valek:

Thanks a lot for sharing your views Frank. Does anyone have anything more they want to share?

Josh Crumb:

I had one point I wanted to bring up; I respect the Austrian view and the money supply analysis, but my macro economic system works a bit differently, i.e. I think there are other factors driving prices. Therefore, I disagree with the view that we can have a sell-off in gold based on what is happening in the credit economy. If we look at a gold real interest rate model over 1 day, 1 month or 3 months, it correlates very well. There are periods, like now, where they don't correlate, but if you actually run that regression over a multiple year cycle you see a phase shift that can't be explained purely by a money supply model. And our model says that these shifts take place when you have fundamental phase shifts in energy, i.e. when energy technology or capacity changes.

The current shift we have seen in the energy market today has led to a new marginal cost for producing gold and about 70% of gold production is raw energy input. It doesn't have as much intellectual property or labor costs as you see in other parts of the economy. My view is therefore that we have reached a bottom in terms of energy costs, a new equilibrium, and I therefore don't see gold selling off much from this point. And I therefore don't believe we'll reach $1,100 or $1,000 gold price, unless real interest rates are 2-3%, which I don't believe will happen.

Heinz Blasnik:

If I may add a quick point, I'm not actually as long-term bearish on gold as Frank. I'm just saying that many of the short-term macro economic drivers for gold do not look supportive, but the gold price is strong anyway. And I believe that these macro economic factors will probably become supportive in the not too distant future and that the market is already discounting this view. So I'm actually quite positive on the gold price in the medium to long-term. And I'm not even negative in the short term because the demand is there and the price is holding up.

There is one more aspect to this, the assets that are most vulnerable to a sharp slowdown in credit and money supply growth are stocks and junk bonds because these assets have become the most expensive on the back of the expanding money supply. **And if there is upheaval in these risk assets we will have problems in the banking system and regardless of what the money supply is doing people will look to gold because it's the one asset that is not dependent on promises and is an effective hedge against trouble in the banking system.**

Josh Crumb:

I agree with that, but I think that the factor that has changed in that model is that the central banks have at least one more trick up their sleeve in the next recession, and they are still trying to disguise this credit risk, which is a tail risk.

For gold this means that every time they play a new hand you get a phase shift in the real economy (the energy/commodity economy) and we advise clients that it's impossible to know where the gold price will be in three months or next year, but we are in a phase where you want to accumulate gold because we are getting closer and closer to the point where central banks can't hide that tail event anymore. I don't think the central banks are

running out of tricks, they still have a few left, but at some point that tail risk (credit risk) will have to come back into the market.

Frank Shostak:

I'd like to make a quick point; in the Austrian school we don't say it's the money supply that is the most important factor, but rather the real pool of wealth. That is what drives everything. We suspect that structural issues are becoming more important, and by structural issues I mean that the pool of real wealth is under severe pressure. If the pool is shrinking then gold will still prevail, however there will probably be a sell of.

Roy Sebag:

Frank, the way I understand what you are saying is that there is a pervasive deflationary force that is dragging down the economy and the path of least resistance is for the real economy to reconcile with that deflationary force?

Frank Shostak:

I'm not in the secular stagnation thesis camp like Larry Summers, but I'm concerned that all the abuses by central banks have caused severe damages and that there is a limit to what the business economy can endure. We feel this limit all the time; they can fix the symptoms, but they cannot create real wealth.

Roy Sebag:

I definitely agree with you there, but our view is that the only way the current situation will end is hyperinflation through an Austrian school crack-up boom. I'm in New York now and half of the real estate is vacant and the owners have been flipping the properties to themselves at decreasing yields because all the free money stimulated asset prices. In other words the capital assets have tripled in value and the owners are hiking the rents, but the tenants can no longer afford the rent because they have not experienced a tripling in their income. And central bankers cannot afford to let asset prices decline because it's more important for them that the financialized economy remains at the level it is. **And I don't think we'll see the end of this until we have hyperinflation.**

Frank Shostak:

I don't disagree with you at all, but I'm suggesting that we need to pay attention to the bottom line, which we cannot know, but hopefully it's still there. And despite all the abuses, businesses are still generating real wealth, and in that case we'll be fine and I do hope this is the case. We are not forecasting a disaster or deflation; we are just saying that it could happen.

Mark Valek:

I have a quick follow up question for Josh; I have been listening to some of your earlier roundtable discussions that you have had with other people from the financial industry and I think I heard you talk about the energy component of gold that you mentioned earlier. I like the concept and I just want to make sure I've understood it correctly. You see gold as a measurement of energy because the energy used for mining is pretty constant and you have indicated that the energy level one needs are now turning. How do you determine this? You look at it from a physical perspective, correct?

Josh Crumb:

Exactly, and that's actually how I got to gold. I am originally an engineer and not a trained economist, and I was always just trying to understand why certain things were happening in the economy, e.g. why copper went from 90 cents to $3, and how gold correlates to what happens in the economy. Consequently, the way I started to look at the economy was in a simplistic way. If we go back to the first organized economy when humans were able to domesticate crops and animals there was a certain stock and yield in food production that supports a stock and yield in a population, and there is always a feedback loop between those two things. We can fast forward to today when we have a very complex economy, and I don't believe that causality has changed. I see that the monetary system and the financial system still sit on the same causality of the stock and flow of energy assets in the economy. And gold is the ultimate stock asset because once you produce it; it doesn't disappear or decay, as opposed to other asset such as for example a building.

So I look at the entire economy as a stock of energy assets with a given decay and gold is the ultimate measuring stick because it's the one thing in the economy that doesn't decay. Therefore, when we see the fundamental changes in the energy economy we get a reprising of that stock of gold. There are other parts of the economy that does not have that commodity bound, for example software technology, but it always has to revert to a mean. **It's a new theory and a new system so it's a bit difficult explaining the whole theory in just a few short minutes, but it shows how Roy and I look at things.**

Heinz Blasnik:

I'd like to make a point about what you just said, Josh. I believe that in a roundabout way you have arrived at an idea very similar to what Frank talked about, which is the pool of real wealth. What the Austrian School is saying is that all production in the economy is ultimately not funded by money, but by real goods. Money is just a medium of exchange.

Josh Crumb:

Exactly, I think our views and models reconcile, but I think the difference in how I look at things is from the energy perspective and how that drives the rest of the economy.

Ronald Stöferle:

Gentlemen, on that note I think we'll close the discussion. It has been very interesting and I thank you very much for participating, especially Roy and Josh who were our special guests. It was a pleasure.

Appendix A: Permanent Members of our Advisory Board:

Zac Bharucha

Zac began his career in finance at the investment bank Kleinwort Benson and later became an equity portfolio manager at Philipps and Drew Fund Management. He then moved to AMP Asset Management where he was responsible for managing more than GBP 1bn of institutional assets. Afterwards, he moved to M&G in London. Since 1998, he has developed absolute return strategies and specialized in equities and commodities. After 25 years in asset management, he retired from professional life in 2011 and wrote his first book about market timing.

Heinz Blasnik

Heinz is an independent trader and market analyst for the consulting firm Hedgefund Consultants Ltd, as well as a regular publisher for the Independent Research House Asianomics in Hong Kong. Heinz primarily is responsible for his blog www.acting-man.com, on which he analyses developments in the financial markets from an Austrian point of view.

James G. Rickards

Jim is the author of the international bestsellers *Currency Wars* and *The Death of Money: The coming collapse of the international monetary system*. He is portfolio manager at the West Shore Fund. During his career, Jim has held senior positions at Citibank, Long Term Capital Management and Caxton Associates.

Dr. Frank Shostak

Frank is chief economist at AAS Economics. He has over 35 years of experience as a market economist and central bank analyst. He holds a PhD, MA and BA honours from South African universities. He was professor of economics at the Witwatersrand University in Johannesburg. He is one of the world leaders in applied Austrian School of Economics and an adjunct scholar at the Mises Institute in the US.

Rahim Taghizadegan

Rahim is the founder and director of the institute for value based economics, an independent research institute in economical and philosophical issues in Vienna. He is bestselling author and a popular speaker internationally. Rahim studied Physics, Economics and Sociology in Vienna and Lausanne. He has worked in the fields of economics, space research and journalism. He has also taught at the University of Liechtenstein, the Vienna University of Economics and Business Administration and the Universität Halle an der Saale.

Ronald-Peter Stoeferle, CMT

Ronald is a managing partner and investment manager of Incrementum AG. Together with Mark Valek, he manages a global macro fund which is based on the principles of the Austrian School of Economics. Previously he worked seven years for Vienna-based Erste Group Bank where he began writing extensive reports on gold and oil. His benchmark reports called 'In GOLD we TRUST' drew international coverage on CNBC, Bloomberg, the Wall Street Journal and the Financial Times.

During his studies in business administration, economics and finance at the Vienna University of Economics and the University of Illinois at Urbana-Champaign, he worked for Raiffeisen Zentralbank (RZB) in the field of Fixed Income/Credit Investments. After graduation, he participated in various courses in Austrian Economics and obtained a Chartered Market Technician (CMT) and a Certified Financial Technician (CFTe) designation. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange. He is also a consulter at Tudor Gold, a significant explorer in British Columbia's Golden Triangle.

Mark J. Valek, CAIA

Mark is founding partner and investment manager of Incrementum AG. Together with Ronald Stoeferle he manages a global macro fund, which is based on the principles of the Austrian School of Economics. In 2014 he co-authored a book on Austrian Investing. Before founding Incrementum he worked at Raiffeisen Capital Management for more than ten years. There he was fund manager and responsible for inflation protection strategies and alternative investments. During his studies Mark worked in equity trading at Raiffeisen Zentralbank and at Merrill Lynch Private Banking in Vienna and Frankfurt.

Mark's education includes a degree in business administration from the Vienna University of Economics and Business Administration. He is CAIA Charterholder and Certified Portfolio Manager. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange.

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