



ABC[®]
BULLION



A BEGINNERS GUIDE TO INVESTING IN PRECIOUS METALS

Dear Investor

Welcome to the ABC Bullion first time investors guide.

For thousands of years, people have turned to gold and other precious metals as a safe store of wealth. But, if you are new to precious metals, you are probably wondering how it all works.

This guide helps in providing some answers.

Whether you are a first time, individual investor looking to protect your wealth or a SMSF Trustee looking to diversify, ABC Bullion has been Australia's specialist in physical precious metals since 1972.

We look forward to assisting you.



Janie Simpson
MANAGING DIRECTOR

A handwritten signature in gold ink that reads "Janie Simpson".

ABC Bullion

DISCLAIMER:

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MAIN REASONS TO INVEST IN GOLD & SILVER

Whether worn as jewellery or held in investment grade bars, tablets or coins, physical gold and silver are some of the world's oldest asset classes.

The demand for physical gold and silver as an investment remains strong today. Over the last 15 years, this physical demand has continued unabated. There have been a number of factors that have contributed to this demand including:

- Capital growth returns
- Low interest rates
- Portfolio diversification
- Currency hedging
- Economic uncertainty and inflation

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We've been trading and storing gold for clients since 1972. This guide explains some of the key reasons people are investing in bullion today

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Janie Simpson, Managing Director
ABC Bullion

This guide examines the reasons that underpin demand for gold. A specific mention is also made of silver, another excellent investment.



CAPITAL GROWTH RETURNS

Like most investments, it is instructive to take a long term view. For example, since the turn of the century, the price of gold in Australian dollars has risen from \$443 per ounce to over \$1450 per ounce by the end of 2014. This is a strong performance, with gold outperforming most traditional assets over this same time period.

This performance is highlighted in the table below, which shows the returns over 1 year, 10 years and 15 years for gold in Australian dollars, compared to other more traditional assets including the stock market and superannuation funds.

PERCENTAGE RETURNS TO END 2014 (%)			
Returns to end-2014	1yr	10yr	15yr
Physical Gold (AUD)	9.0%	10.1%	8.3%
Stock Market	5.3%	7.4%	8.0%
Bond Market	9.8%	6.5%	6.8%
Cash	2.7%	4.8%	5.0%
Retail Superannuation	8.6%	6.2%	5.8%

Source: ABC Bullion, IRESS, Cor Capital, Chant West, RBA

The above table indicates that over the past 10-15 years, the return on gold priced in Australian dollars has outperformed every other asset class represented. Returning more than 10% per annum for the past decade, it has more than doubled the return on cash and has also outperformed returns on retail superannuation investments.

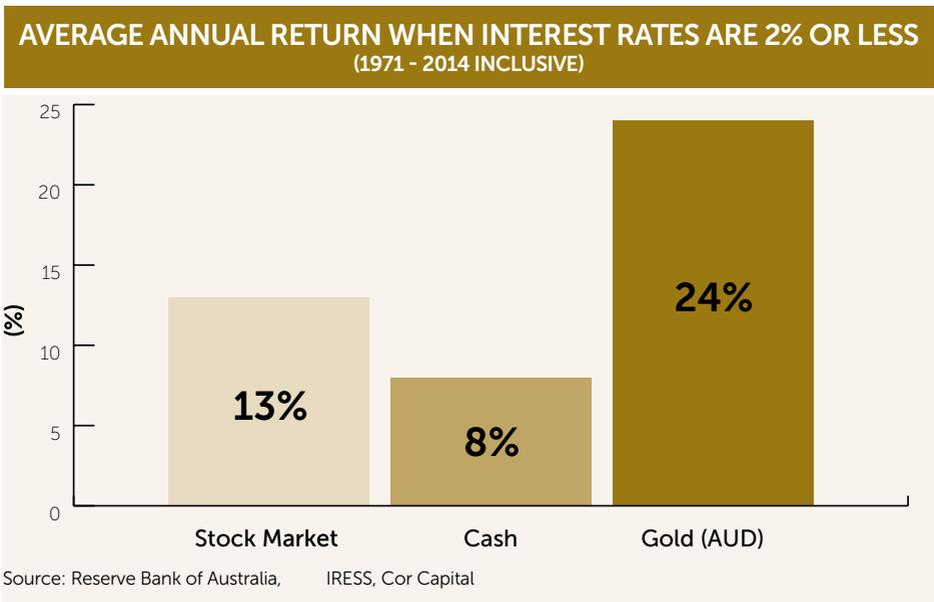
With historical returns like these, it's not hard to see why many investors allocate a portion of their investment funds to precious metals.

LOW INTEREST RATES

Historically, gold prices tend to strengthen most in environments where interest rates are low.

This is because low interest rates encourage people to withdraw from the bank (since it is not earning much interest) and move their money into other asset classes.

The table below indicates that returns on physical gold priced in Australian dollars has returned 24% per annum on average, in periods where interest rates are very low. Right now, Australia and the majority of the developed world is in an environment where interest rates are at record lows and likely to stay low for some time yet. The table below shows that during periods of low interest rates, gold returns outperform other investment assets, like stocks and bonds.

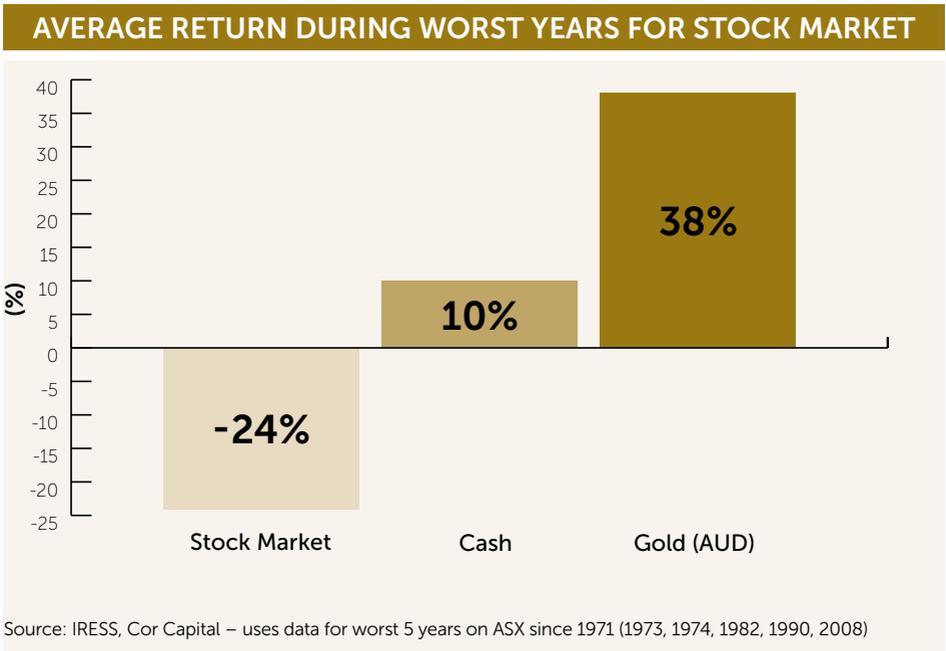




PORTFOLIO DIVERSIFICATION

In the context of your investment portfolio, the age old adage that you shouldn't put all of your eggs in the one basket rings true. Over the long term, asset classes like equities and bonds have been shown to be great investments but the importance of diversification is key. Precious metals and in particular gold are great diversifiers, because they historically tend to rise in value when other assets are falling.

The chart below shows the average return over the worst 5 years on the Australian stock market, as well as the return of gold in Australian dollars, and cash, in those same years.



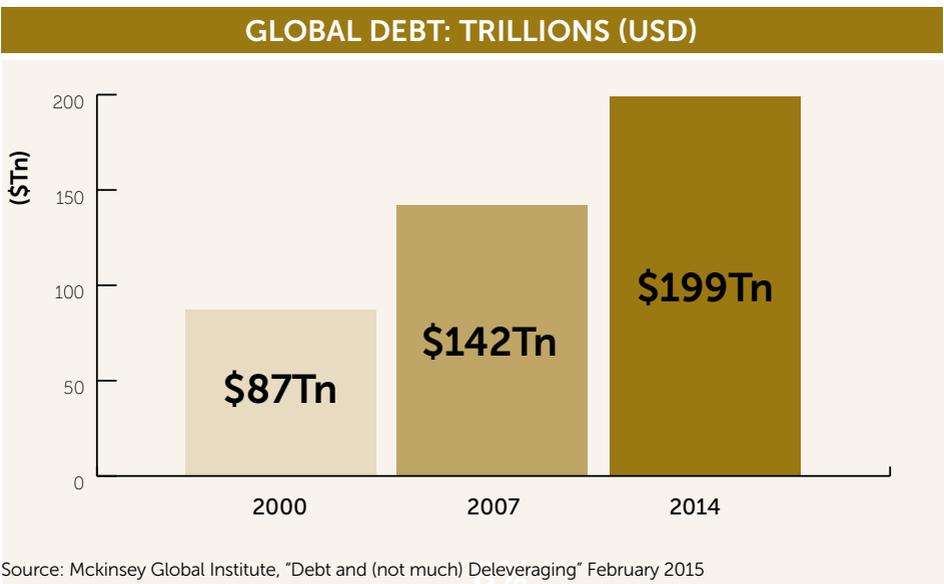
As you can see, in years where the stock market experienced major falls, gold held up well, rising by nearly 40% on average. The lesson here is that including gold in your investment portfolio typically helps balance out your investment returns.

ECONOMIC UNCERTAINTY & INFLATION

Today, health and life insurance are commonplace. Similarly, gold is an excellent form of “investment portfolio insurance” because of its reputation as a hedge against economic uncertainty and inflation.

Historically, gold tends to perform well whenever there are recessions, rising geopolitical tensions, or economic slowdowns and financial market volatility, like the recent Global Financial Crisis (GFC). Gold also does well during periods of high inflation, historically returning close to 15% per annum in these environments.

All of these facts lead prudent investors to precious metals (and specifically gold). With so many economic risks on the horizon, including escalating global debt levels (some USD \$57 trillion higher today than when the GFC hit), our prediction is that gold will continue to be considered an excellent hedge.



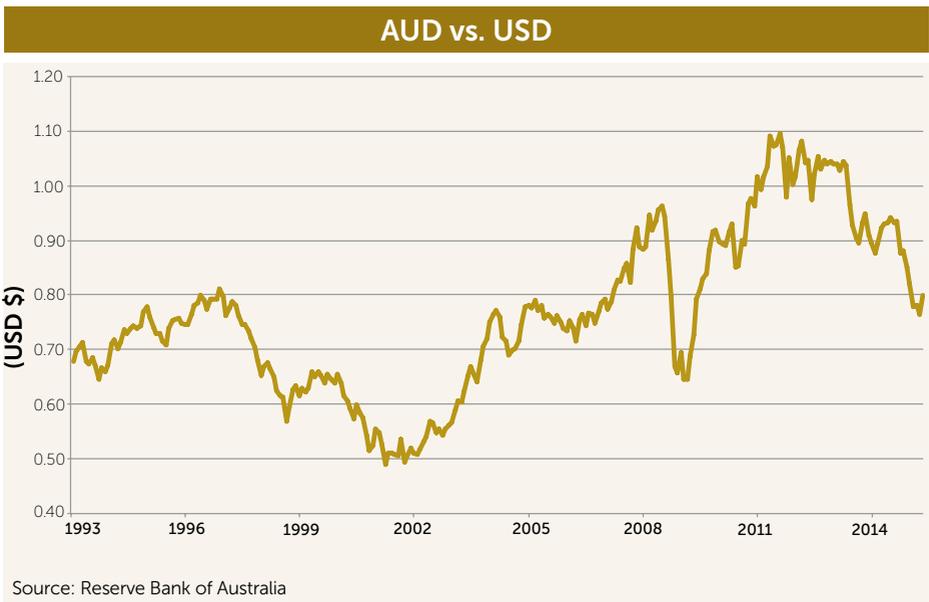
With interest rates at record lows, and central banks around the world printing money, we are at risk of higher inflation in the coming years. As a hedge against currency devaluation, owning physical gold is an ideal insurance policy.

CURRENCY HEDGING

Gold acts as a natural currency hedge for the Australian investor. This is because any fall in the Australian dollar (AUD) has historically led to an increase in the price of gold.

Many economic forecasters expect the AUD to fall in the years ahead, as the economy goes through a period of slower economic growth.

Indeed, some economists see the AUD falling as low as \$0.50 versus the US Dollar (USD). Whilst this might sound like a huge fall, it would not be historically unusual. The chart below, which plots the value of the AUD vs. the USD over the last 20 years, highlights this.



In 2000, before Australia's great commodity boom, the AUD was trading at \$0.50 versus the USD. If the AUD returns to that level in the coming years, it will be a huge boost to Australian gold investors. The table below looks at potential gold price targets in the coming years and highlights the return potential for investors in precious metals.

PHYSICAL GOLD PRICE TARGETS		
USD Gold Price (\$)	AUD/USD Exchange Rate	AUD Gold Price (\$)
1,000.00	0.50	2,000.00
1,250.00	0.50	2,500.00
1,500.00	0.50	3,000.00
1,750.00	0.50	3,500.00
2,000.00	0.50	4,000.00
2,400.00	0.50	4,800.00

Source: ABC Bullion 2015

If you feel that the AUD is in a period of decline, investing a portion of your investment portfolio in gold has the potential to generate good returns.





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FINE SILVER

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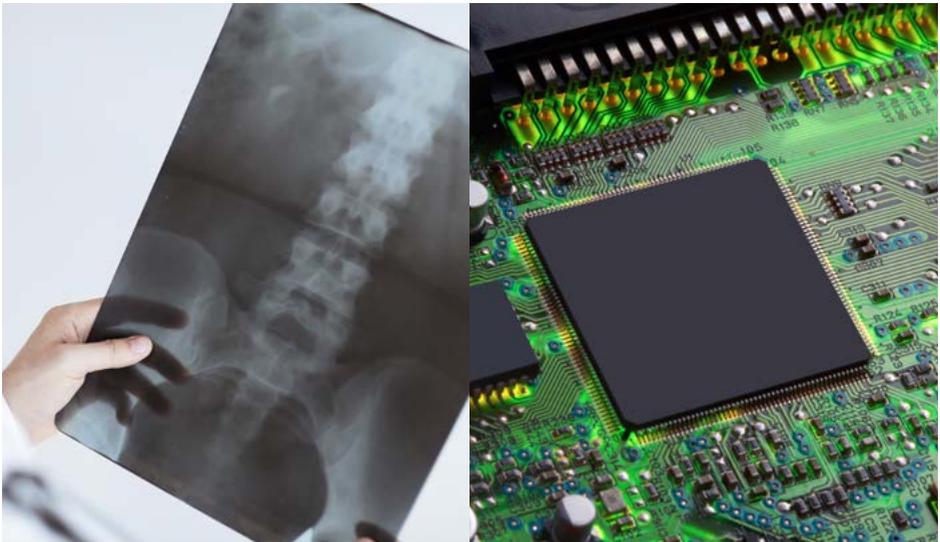
SILVER DESERVES A SPECIFIC MENTION

Much of this guide has been devoted to gold. However just like gold, physical silver can also provide an excellent investment opportunity. Over the 15 years from 1999 to December 2014, silver prices rose by nearly 6% per annum in Australian dollar terms.

SILVER IS AN INDUSTRIAL METAL

Unlike gold (which is mostly seen as a monetary savings asset), silver is also widely used for industrial purposes. Indeed, silver's electrical conductivity, thermal resistance and reflective qualities are highly sought after.

Whether it is electronic products like mobile phones, cameras, laptops and monitors, or medical equipment like X-Ray machines, they all contain physical silver, and silver's application continues to rise. This adds another element to the silver story, encouraging people to accumulate the metal.



CAN SILVER OUTPERFORM GOLD?

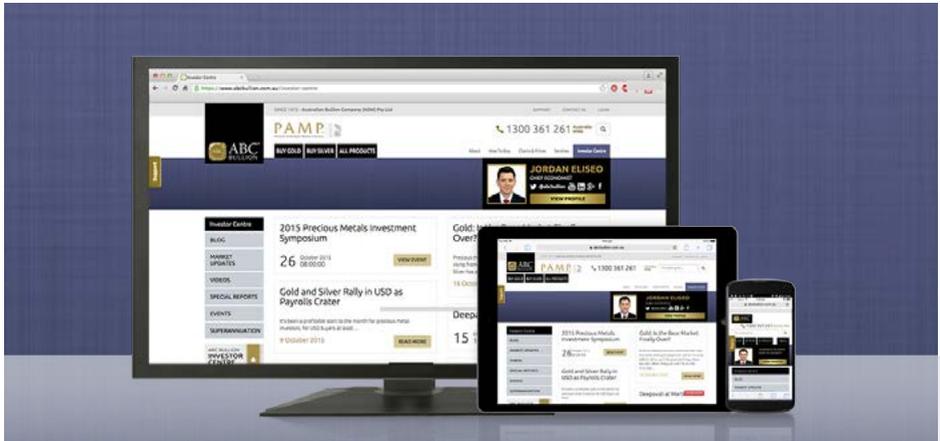
The affordability of silver compared to gold makes it an excellent option for investors to begin their precious metal investment portfolio. And although silver prices are historically low at the moment, the fact is that silver prices often outperform gold, especially in environments where both metals are rising in price.

An example of this is shown in chart below. Over the period between December 1999 and April 2011, gold prices increased by about 400%*. In contrast, silver prices rose by over 800%* which highlights just how profitable an investment in silver can be.

*Note: percentages calculated from USD figures.



LEARN MORE AT THE ABC BULLION INVESTOR CENTRE



Your precious metals investment journey begins at ABC Bullion.

As Australasia's leading bullion dealer, ABC Bullion brings you the ABC Bullion Investor Centre - Australasia's leading precious metals investment portal. It contains a wealth of knowledge on the key factors influencing the physical gold and silver markets, as well as research into currencies, interest rates, share and fixed income markets, property and superannuation.

ABC Bullion is a regular contributor to numerous Australian and International news media outlets, including Bloomberg, CNBC, Reuters, The Australian, The Financial Review, Livewire and Reuters.

Join the ABC Bullion Investor centre by visiting abcbullion.com.au/investorcentre and establish your precious metals investment account with ABC Bullion today.

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For more information on investing in precious metals, please contact our Client Services team on comms@abcbullion.com.au, call us on 1300 361 261 or visit any of our showrooms.



ABC BULLION HEAD OFFICE

Suite 30 Level 6 88 Pitt Street
Sydney NSW 2000 Australia

P: +61 2 9231 4511
F: +61 2 9233 2227

E: comms@abcbullion.com.au
W: abcbullion.com.au

1300 361 261
GPO Box 2435
Sydney NSW 2001

PERTH OFFICE

Level 3 40 St Georges Terrace
Perth WA 6000 Australia

P: +61 8 9325 0888
F: +61 8 9325 0889

HONG KONG OFFICE

Unit G1 5th Floor Kaiser Estate Phase 2
47-53 Man Yue Street Hung Hom
Kowloon Hong Kong

P: +85 2 2774 1900
F: +85 2 2774 1677