

# REBALANCING YOUR MINING STOCK PORTFOLIO CAN GREATLY INCREASE PROFITS

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## REBALANCING – WHY WOULD I BOTHER?

Suppose you have a beautiful garden, rich in many different kinds of plants and flowers, the ones that perfectly match your taste and aesthetic needs. Every once in a while you would need to take care of it (or have someone else do that): mow the lawn, prune trees, transplant flowers, etc., in order for it to remain appealing. Leaving it to itself might result in an uncontrollable growth that could lead to your garden becoming a place far from what you expected, definitely not a place of your dreams. Making sure it lives up to your expectations does require commitment.

This garden can serve as an analogy to your precious metals mining stocks portfolio. You carefully choose its components and proportions so that it suits your needs and preferences (such as your risk tolerance or a particular level of liquidity of your assets). But – just as in the case of garden – leaving it to itself (which goes by the name of the buy and hold strategy) can result in a dramatic change of its fortunes.

This is where rebalancing (i.e. adjusting the structure of your portfolio so that it matches your needs) comes in handy: say we're discussing the standard stocks-bonds portfolio and that you are quite risk averse and think that the right proportions for you are: 20% in stocks and 80% in treasury bills. If stocks rise faster than T-bills then after one year it may be that your portfolio's proportions will be 50% stocks and 50% bills.

If your risk tolerance has not changed during that period then this portfolio structure is unacceptable and – just like in the case of the garden – it would require your action, namely bringing the proportions back to the initial 20%-80%.

Rebalancing is sometimes about something more than just proportions assigned to particular groups of assets. For instance, when it comes to gold and silver stocks, rebalancing could also mean checking whether you have the best miners in your portfolio and possibly selling some that you currently hold and buying others. For more information about picking precious metals mining stocks please refer to our [report dedicated to selecting the best gold and silver stocks for your portfolio](#).

Now, if the fact that the buy and hold strategy might completely devastate your portfolio structure and render it quite useless in relation to your needs, our research also shows that choosing the right rebalancing strategy can significantly increase your profits. While the rest of the market was down, over 30% rebalanced gold stocks portfolios managed to gain as much as 94.92% and rebalanced silver stocks portfolios – as much as 90.64%!

So what are the alternatives to the buy and hold strategy? First of all, we would like to point out that rebalancing your portfolio after every slightest change makes little sense. Not only would it be extremely time consuming, your broker's commission would often eat a large part of your profits.

There may be many ways one could rebalance one's portfolio, but in this report we will focus on one that we found particularly effective when it comes to rebalancing precious metals mining stocks portfolios.

We will refer to this strategy as the Constant Interval strategy, (a.k.a. Calendar rebalancing strategy). It consists in rebalancing your portfolio every "x" trading days (where "x", that we will call interval is – as the name implies – constant). For example, if  $x = 10$  then you rebalance your portfolio every ten trading days (two weeks).

As a side note, we are currently working on a tool intended for rebalancing complex portfolios containing many groups of assets (such as physical metals and junior and senior precious metals mining stocks) where we employ also other strategies and approaches. For more insight and information on precious metals portfolio structure please read our report dedicated to [gold and silver portfolio structure](#).

## REBALANCING OUTSTRIPS BUY AND HOLD STRATEGY – CONCRETE EVIDENCE

To support our praise for rebalancing, we would like to present the results of a thorough study that we conducted. The study covered the period between Jan 1, 2006 – Jul 15, 2013 (actually, the investment process started Jul 10, 2013, but to assess the quality of a particular stock we used data back to Jan 1, 2006). Our benchmarks were the [HUI](#) and [XAU](#) indices for gold and silver senior mining stocks, respectively. If bought and held for the above-mentioned period, they would have generated losses of -33.53% and -38.25%, respectively (this is mainly due to a great slump that took place in April 2013) – it means that investing this way one would have lost over a third of their capital! For comparison: an interest rate of 1.25% (which corresponds roughly to the average interest rate available for the U.S. investors in that period) compounded annually for these seven years would've generated an ROI of 9.09% (taking inflation into account, this means, though, an effective loss).

In the study we used the abovementioned Constant Interval Rebalancing Strategy: every x days we used the [Golden Stock Picker](#) and [Silver Stock Picker](#) tools to find current top 5 miners, and x was kept constant throughout the whole period at 10 trading days.

We examined various values of x, ranging from 5 to 100, hence obtaining intervals from one to twenty weeks. We tested many different simulation settings (by simulation we mean running through the whole period of Jul 10, 2006 – Jul 15, 2013 and rebalancing our seniors portfolio every x days), taking into account such factors as risk tolerance, time horizon of the investment, or the amount of money allocated to particular companies. So for every combination of these options we checked 20 different interval values (5 days, 10 days, and so on until 100 days) and found the optimum as well as the average ROI (return on investment) for these 20 intervals.

We'll start with silver seniors which did spectacularly well – while the whole market was down nearly 40%, in the case of regular portfolio rebalancing only a tiny fraction of results generated negative returns. Let's move straight into the results. The maximum optimal (meaning that if one was able to estimate the best x value) return was 90.64%, the minimum: 39.15% and the average: 63.10% with standard deviation of 13.52% which, compared with the XAU's ROI of -38.25% looks quite impressive. When we take a look not at the optimum gain out of 20 interval settings, but at their average, the results don't get much worse: their maximum equals 37.62%, minimum: 8.81%, and average: 23.17%, with standard deviation

a great majority had only slightly negative ones (ranging between -20% and 0%). Only two cases out of 720 (0.28% of all) had a worse return than the index.

For gold seniors, the maximum optimal ROI (the profit generated the investment period) was 94.92%, the minimum: -8.22% and the average: 36.49% with standard deviation of 39.19% which, compared with the HUI's loss of -33.53% looks quite impressive. Simply put, rebalancing your mining stocks would have allowed one to not only avoid losing money, but also earn a decent profit. Even if in some cases money was lost, this loss was not as big as in the case of HUI. Here again, when we take a look not at the optimum gain out of 20 interval settings, but at their average, the results don't get much worse: their maximum equals 18.85%, minimum: -20.23%, and average: -6.98%, with standard deviation of 13.49%. So, on average, some money was lost, but these losses were much lower than HUI's. The following chart presents a histogram of ROIs for gold: (Chart 2.)

As we can see, in most of the cases returns were negative, but still the vast majority of them were better than the broad index return. Only 6.11% (44/720) of them were worse than HUI. And out of these below 0% but better than HUI's loss, the majority were relatively tiny losses (ranging between -20% and 0%).

These results show that active portfolio rebalancing using Golden Stock Picker/ Silver Stock Picker tools is definitely worth pursuing. Even if you pick an incorrect x value, you will still likely gain by rebalancing your portfolio than by sticking to your first stock selection. What is more, the GSP/SSP-rebalancing duo consistently earned money, whereas the market indices lost it. This shows that such an approach has some resistance to market turmoil and, on average, comes out on top.

One could argue that instead of broad market indices we should have rather used a top gold or silver stock picked by the Golden Stock Picker or Silver Stock Picker or the best performing stock in a given sector, such as GOLD for gold seniors and AG for silver seniors. First of all, there is no universal ranking, as these tools allow choosing between many different options, taking into account your risk tolerance and investment horizon, among others. And even if the two companies mentioned above appeared in top 3 most of the time they didn't come out on top every time. And these two stocks did extremely well, much better than the whole sector – the rest would have most likely generated losses. This is because for gold, out of 18 stocks included in the study only four (22.22%) did not lose money, but gains were not as spectacular as in the case of GOLD (which itself gained 208.40%): 1.25% for AUJ, 25.21% for EGO and 51.52% for RGLD. The rest lost money, with GSS being the worst performer (-83.33%) and an average loss of -22.61%.

As far as silver stocks are concerned only three out of eight (37.5%) included stocks which did not lose money – these were AG (204.83%), SLW (123.48%) and EXK (24.83%). The rest did, with CDE being the worst performer (-74.13%) and averaged 13.43% – this average is skewed by the top 2 companies, which is clearly indicated by high standard deviation of 93.65%. So while investing in GOLD and AG would have generated returns over 200%, doing so violates one of the most important rules of investing – diversification.

What if you picked the stock that was the worst performer? We have just seen that it was extremely easy due to the fact that almost the whole sector lost in value. And even though the tools that we used suggested that these companies were solid, they were seldom the first ones in their rankings. You would surely not want to miss out on the profit potential that the whole sector offers just because you had bad luck when picking a company. It is extremely easy to write that choosing one particular stock would have been the best choice in hindsight, but hardly

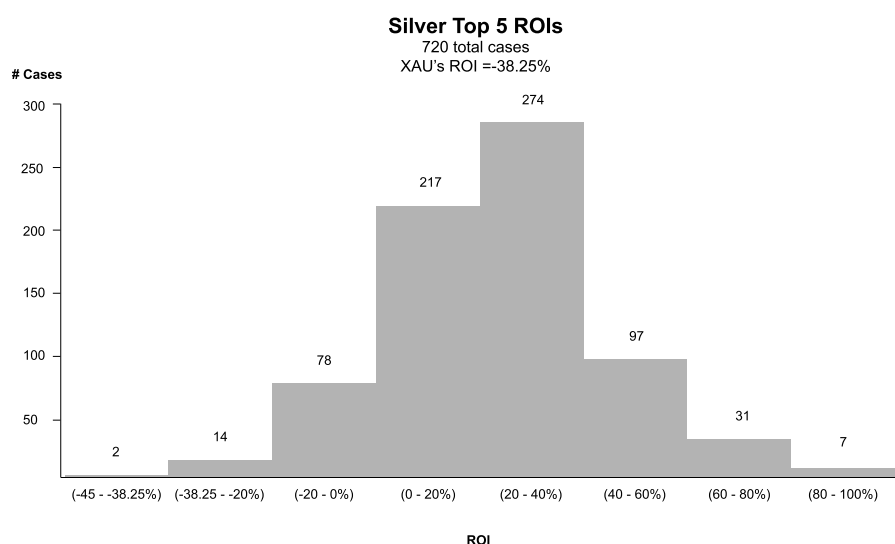


Chart 1.

of 8.32%. So while the whole market was down 40%, rebalancing we gained on average almost 25%!

The minimal profit obtained, taking into account all considered intervals and options was -48.81% - lower than XAU's but such cases were rare exceptions, as we'll see taking a look at the following histogram of silver's returns. 86.94% of cases had ROIs greater than 0%. Of those with returns at 0% or below,

This shows further rebalancing's advantage over simple buy and hold approach. Still, 25% of the cases (180/720) had positive ROIs, some of them exceptionally good.

The minimal profit obtained, taking into account all considered intervals and options was -47.53% – lower than HUI's performance, but – as mentioned above – such low values were nothing more than rare exceptions.

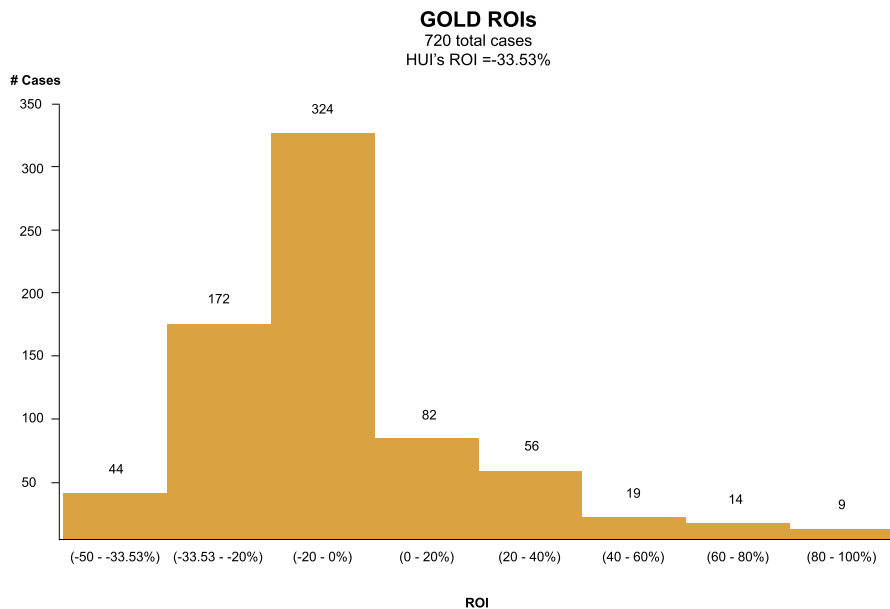


Chart 2.

anybody would actually put all his money into one single company.

Just for comparison, we also tested a modified strategy, where instead of top 5 stocks we picked only those stocks that met particular numerical criteria (based on the chosen options such as risk tolerance or time horizon of investment). The main difference was that such strategy allowed having just one company in the portfolio or even no company at all (which happened from time to time) but still, most of the time, provided significantly better [diversification](#) than the buy-and-hold strategy consisting of buying just one stock (such as GOLD or AG) and sticking to it for the whole period. In other words, we previously estimated which stocks are good relative to the other ones and invested in them. Now we will not look at other stocks – we will simply invest in a stock if it performs well relative to gold – and regardless of how it performs relative to other miners. Picking stocks this way is equivalent to buying those companies that are suggested by the Golden Stock Picker/Silver Stock Picker tools. Such a suggestion appears on your screen when you hover the cursor over the stock's rank number.

Such a modified strategy generated substantially better results both for gold and silver. As this is meant to be only an addition to the standard “top 5” strategy, we'll focus only on the optimum returns. And so the results for gold are as follows – maximum: 402.50%, minimum: -18.36%, average: 88.39% and standard deviation: 71.09%, and for silver – maximum: 1729.90%, minimum: 0% (no stock in portfolio during the whole period), average: 414.39% and standard deviation: 342.76%. We can easily observe the increased risk that is associated with this strategy: optimum gains are much more volatile – their

standard deviation is much higher in comparison with the top 5 version, but so are their maximum values. Also, there were cases with extremely high losses (like -70% for silver and -90% for gold, but these were not optimum ones, so they are not mentioned explicitly above). Overall, these results are very good. And we can imagine that skewing this strategy even further, so that only one stock would be included in the portfolio at any given time would probably turn out even more lucrative – in hindsight, of course.

Finally, for comparison, let us see how a sample buy-and-hold portfolio comprising top five stocks selected using Golden Stock Picker/Silver Stock Picker would do. As we have mentioned above, there is no single ranking, as rankings are created taking various factors into consideration.

Here we'll assume long-term horizon of investment, low risk tolerance and “basic” mode for these [tools](#) (for more information on these tools consider [our instructional video](#)).

These rankings generated at the beginning of the investment period (Jul 10, 2006) would pick the following stocks: SVM, AG, EXK, SLW and SSRI for silver and AEM, GG, NGD, GOLD and AUY for gold. Betting on only one stock we would not have been lucky with either gold or silver mining stocks as SVM generated a loss of -27.23% and AEM – of -15.55%. Still, the companies that turned out to be the best did appear in these top 5 stock selections and the others did fairly well in comparison with the whole sector which shows the strength of GSP/SSP tools. Portfolios containing these stocks (in equal proportions) would have generated the following ROIs: 51.71% for silver stocks and 30.81% for gold stocks and this took place only because the companies that gained the most

happened to be in these portfolios – without them these results would surely have been negative.

How do these results come off in comparison with rebalancing (it is apparent that they outclass the indices' returns)? They both are higher than the average returns for gold and silver but certainly lower than the optimum ones – we still believe that rebalancing is far better as – what we have just seen – it can still generate higher returns and is superior as far as diversification is concerned – investing in five companies in a buy-and-hold manner is still sort of putting all one's eggs in one basket.

To sum up, portfolio rebalancing seems to be a much better portfolio strategy than the passive buy-and-hold. And using Golden Stock Picker/Silver Stock Picker to choose the right stocks when the time of rebalancing comes can significantly increase profits. We would once again like to stress the fact that diversification is extremely important when it comes to investing, and portfolio rebalancing is no exception to this rule. As we've seen, picking more and different stocks resulted in making huge profits virtually every time, and these profits didn't differ from one another very much.

Picking only one stock, one can end up with an astronomically high return, but one can also lose a substantial portion of the capital, should the stock suddenly fall off the cliff. Even though a single stock's performance seems alluring, one needs to remember that it is always easy to find best performers in hindsight. And even if one were forced to use such strategy, it would still be a better strategy to systematically rebalance the “portfolio”.

## THE BEST STRATEGY FOR SHORT-TERM SPECULATION

The alternative strategy allowing fewer companies in portfolio, mentioned in the previous section, sometimes resulted in astonishing returns but violated one of the most important principles in investing: diversification.

However, when one wants to speculate on an upcoming short-term move in the market, it is not necessary to buy many different stocks, as only a small portion of one's capital is usually allocated for such a trade. Hence picking just one or two stocks instead of, say, five or more might be a better choice here.

We decided to find out whether this is the case and tested a couple of short-term trading strategies. How did we test trading strategies? To test which approach is best we used four types of trading indicators generating buy signals (we did not investigate short selling):

■ “Dummy Indicator” – a signal is generated every trading day, this is just something to start with.

■ **Relative Strength Index (RSI)** – one of the most popular technical indicators. We used a standard version where a buy signal is generated when the indicator crosses the oversold line from below.

The only thing that we changed was the oversold line's value – we used 40 instead of standard 30, as the latter resulted in only around 15 signals for gold and silver during the whole 7-year period. Raising it to 40 increased this number to over 60 which is still the smallest number from all of the signals used (around 200 for the other ones and 1700 for dummy indicator, as in this case a signal is flashed every day)

■ **Stochastic Oscillator** – another well-known technical indicator. In our simulation we employed Full Stochastic, with %K (14-day moving average of gold/silver close price), smoothed with a 3-day moving average and %D being the 3-day moving average of smoothed K; signal was flashed when %K crossed %D from below.

■ **Sunshine Profits Short Term Gold Stock Indicator** – our own in-house developed indicator.

For each type of signal we compared investing in a broad market index (HUI for gold, XAU for silver) with buying different number of companies according to rankings generated by the Golden Stock Picker/Silver Stock Picker tools: top1, top2, top5 or only those that met particular numerical criteria, just like in the alternative strategy mentioned in the previous section (meaning that we could buy just one company, a couple of them or none at all, depending on the stocks ranking). Here we also took various factors into account, just as in the case of rebalancing, but since we did not rebalance our portfolio, but merely opened a speculative position, instead of interval we checked which Trade Horizon (i.e. the number of days after which we close our position) is optimal. We investigated trade horizons ranging from 1 to 10 weeks (5 to 50 trading days). Here again, the study covered the period between 1/1/2006 – 07/15/2013 (actually, the investment process started 07/10/2006, but to assess the quality of a particular stock we used data up to 2006/1/1). So starting on 07/10/2006 every time a chosen indicator flashes a signal we open a position and check the return on that trade after Trade Horizon days until we reach the end of the data set. For instance, if Trade Horizon = 10 (2 weeks), then every time a signal is flashed we open a long position

according to a chosen option and close it after 2 weeks.

As we took all buy signals into consideration, we decided to use average return as a measure of particular approach's effectiveness – using the overall return (just like in the case of rebalancing) was not possible as in some cases (and always for dummy indicator) the transactions would overlap when a buy signal was flashed before closing previous position(s).

Trade Horizon (days)	Dummy	RSI	Stochastic	SP
5	0.17%	-0.18%	-0.02%	-0.16%
10	0.19%	-0.83%	-0.52%	0.30%
15	0.17%	-1.01%	-0.75%	1.20%
20	0.19%	0.25%	-0.03%	0.85%
25	0.21%	-1.01%	-0.67%	1.85%
30	0.23%	0.70%	-0.28%	0.78%
35	0.24%	0.91%	-0.90%	0.62%
40	0.25%	4.41%	-0.14%	0.65%
45	0.32%	3.39%	-0.99%	0.80%
50	0.40%	3.39%	-0.81%	1.32%
<b>Average</b>	<b>0.24%</b>	<b>1.00%</b>	<b>-0.51%</b>	<b>0.82%</b>
<b>Standard Deviation</b>	<b>0.07%</b>	<b>1.91%</b>	<b>0.35%</b>	<b>0.53%</b>

Table 1.

## INDEX VS. SILVER STOCK PICKER AND GOLDEN STOCK PICKER

First of all let's have a look at the indices' returns and average Golden Stock Picker/Silver Stock Picker returns; we'll start with XAU, which we used as proxy for silver:

When it comes to XAU, the Dummy indicator did (on average) consistently earn money, while the Stochastic indicator lost it. The Sunshine Profits Indicator lost a bit (on average) for trade horizon of one week but then did much better than the Dummy Indicator. RSI has a bit mixed track record: it lost money (on average) for low trade horizons, but did exceptionally well for higher ones.

Now, let's compare these results with average returns for all combinations of Silver Stock Picker approach: (Table 2).

Here all indicators did far better in comparison with the index; the only two cases where the Silver Stock picker did slightly worse, on average, than the RSI with 2 and 3 weeks Trade Horizon.

Now, let us move on to gold. We'll start with the HUI index which we used as a proxy for gold seniors (Table 3).

Here the results for the Dummy Indicator and the Sunshine Profits Short Term Gold Stock Indicator are fairly similar to the XAU index. RSI did a bit better as far as shorter Trade Horizons are concerned, but worse when it comes to the longer ones. The Stochastic Indicator did far better in case of the HUI as all these average returns are positive and even better than other indicator in some cases. Now, let's compare this with the average results for all Golden Stock Picker options (Table 4).

Here, the only cases where Golden Stock Picker average returns were slightly worse than the HUI Index returns, were the RSI Indicator with Trade Horizons between 3 and 6 weeks. In other cases Golden Stock Picker did on average much better. We have just seen that – on average – GSP/SSP tools do much better than the index. Let us now focus on individual indicators performance.

As we are comparing buying index and using the Golden Stock Picker/Silver Stock Picker, we'll start with checking how many times these tools did better than the index.

For gold, in the case of the Dummy Indicator, the Golden Stock Picker did better than the index in 97.22% (1750/1800) cases – the ones that did worse were mostly the ones with very high restrictions imposed on the stocks that were included in the speculative portfolio, which resulted in lower numbers of transactions and missing out on some profit opportunities. Still, the difference in profits in these cases that did worse than the index was very thin. Similar comments apply to the Stochastic Indicator. Here Golden Stock Picker was better than the HUI in 92.39% (1663/1800) cases. As far as the Sunshine Profits Short Term Gold Stock Indicator is



Trade Horizon (days)	Dummy	RSI	Stochastic	SP
5	0.42%	-0.18%	0.72%	0.35%
10	0.81%	-0.99%	0.54%	1.32%
15	1.06%	-1.22%	0.37%	1.48%
20	1.46%	1.15%	0.67%	2.03%
25	1.79%	0.64%	1.18%	2.58%
30	2.21%	2.33%	1.24%	2.83%
35	2.67%	3.07%	1.90%	2.71%
40	3.19%	4.67%	2.35%	3.68%
45	3.77%	6.80%	2.77%	4.12%
50	4.24%	6.92%	3.45%	5.63%
<b>Average</b>	<b>2.16%</b>	<b>2.32%</b>	<b>1.52%</b>	<b>2.67%</b>
<b>Standard Deviation</b>	<b>1.22%</b>	<b>2.85%</b>	<b>1.00%</b>	<b>1.45%</b>

Table 2.

Trade Horizon (days)	Dummy	RSI	Stochastic	SP
5	0.08%	-0.37%	0.70%	-0.05%
10	0.13%	-0.83%	0.63%	0.46%
15	0.16%	-0.01%	0.63%	0.50%
20	0.22%	0.15%	0.51%	1.07%
25	0.27%	0.06%	0.87%	1.19%
30	0.33%	0.96%	0.91%	1.08%
35	0.37%	1.37%	1.14%	0.96%
40	0.40%	0.61%	0.72%	1.05%
45	0.50%	1.34%	0.70%	1.14%
50	0.61%	1.27%	0.90%	1.75%
<b>Average</b>	<b>0.31%</b>	<b>0.45%</b>	<b>0.77%</b>	<b>0.92%</b>
<b>Standard Deviation</b>	<b>0.16%</b>	<b>0.73%</b>	<b>0.17%</b>	<b>0.47%</b>

Table 3.

Trade Horizon (days)	Dummy	RSI	Stochastic	SP
5	0.27%	-0.15%	0.81%	0.14%
10	0.40%	-0.79%	0.81%	1.69%
15	0.51%	-0.40%	1.01%	0.83%
20	0.70%	-0.08%	0.92%	1.46%
25	0.90%	-0.10%	1.49%	1.57%
30	1.15%	0.74%	1.59%	1.59%
35	1.38%	1.81%	2.00%	1.65%
40	1.63%	1.37%	1.87%	1.95%
45	1.89%	1.86%	1.97%	2.19%
50	2.18%	1.94%	2.24%	2.93%
<b>Average</b>	<b>1.10%</b>	<b>0.62%</b>	<b>1.47%</b>	<b>1.50%</b>
<b>Standard Deviation</b>	<b>0.62%</b>	<b>1.00%</b>	<b>0.52%</b>	<b>0.76%</b>

Table 4.

concerned, the Golden Stock Picker outperformed the index in 86.33% (1663/1800) cases – a slightly worse result than for the previous two but still a very good score. Here, also other approaches (top1, top2 and top5) happened to be worse than the index but these were only rare cases. Finally, for the RSI indicator, GSP outperformed the index in 61.67% (1110/1800) cases – clearly the worst result, which seems to be in tune with the average results for this indicator provided in the tables above.

When it comes to silver stocks, the results don't get much different. The highest rate of better-than-index Silver Stock Picker returns was achieved by the Stochastic Indicator – here the SSP outperformed the XAU in 99.56% (1792/1800) cases – almost 100% effectiveness! The Dummy Indicator placed second with 97.94% (1763/1800) cases and the SP Indicator was third with 94.22% (1696/1800) effectiveness. In all these three approaches, the cases in which the index was better than the Silver Stock Picker were mainly attributable to high criteria imposed on the stocks that were included in the speculative portfolio which resulted in missing out on some profitable opportunities – just like in the case of gold stocks. As far as the RSI indicator is concerned, SSP outperformed XAU 70.67% (1272/1800 cases) of the time. Overall, these results are a bit better than for gold mining stocks.

Having seen the general effectiveness of Golden Stock Picker/Silver Stock Picker in aiding a short-term speculators let us now move on to investigating what number of companies in the speculative position is the best for short-term speculation purposes.

## HOW MANY COMPANIES SHOULD I BUY FOR A SHORT-TERM TRADE?

We have just seen that using Silver Stock Picker/Golden Stock Picker can greatly increase one's profits in comparison with buying index units. At the beginning of this section we have mentioned that we wanted to check how many companies one should buy to maximize their profit, as far as short-term speculation is concerned. Here we delve a bit more into that question. For each metal and for each indicator we will discuss which strategy did best in our study.

Let us start with gold stocks. Buying single best company turned out to be the best way to go in the case of the Dummy Indicator, the Stochastic Oscillator and the Sunshine Profits Short-Term Gold Stock Indicator, in terms of the highest average ROI (5.58%, 5.08%, and 5.90%

respectively for these indicators), with buying the number of stocks suggested by the Golden Stock Picker (i.e. meeting particular numerical criteria) being the second best alternative (optimum average ROI of 4.45%, 4.34%, and 5.13%, respectively). Buying top 2 stocks decreased returns on average (optimum average ROIs of 3.58%, 3.41% and 3.74%, respectively) but was usually safer in that the lowest average ROIs for these options were higher than those of the other mentioned options.

So it could be viewed as a decent alternative for the more risk-averse investors. For the RSI indicator, buying the number of stocks suggested by the GSP was usually far superior to buying the top one (optimum average ROI of 6.32% VS. 3.43%), but it was also much more volatile. Buying the top two stocks was a less risky but also a slightly less profitable way to go (optimum average ROI of 3.96%), which – again – can be seen as an alternative for the less risk-seeking investors.

We would also like to point out that for the SP Indicator buying top 5 stocks might be a viable alternative for very risk-averse investors as it managed to generate decent profits (all optimum average ROIs between 2.77% and 3.15%) in comparison with other approaches and greatly reduced results' volatility.

Let's move on to silver mining stocks now. When it comes to the Dummy Indicator, buying stocks suggested by the Silver Stock Picker turned out to be slightly more profitable (optimum average ROI of 7.54%) than buying the top 1 (optimum average ROI of 7.18%), but it was also more volatile. Overall, we can

say that both of them had the same effectiveness. Buying top 2 stocks was not that far behind in terms of maximum average ROI (6.31%) and it was also a bit safer as far as minimum ROIs are concerned. In the case of the Stochastic Indicator and the SP Indicator, top 1's supremacy over other approaches was evident with the highest average ROI of 6.50% for the Stochastic Indicator and as high as 10.83% for the SP Indicator with corresponding values for buying stocks suggested by the SSP (6.25% and 8.52%) and top 2 ones (4.99% and 8.22%) – lower, albeit still very good in comparison with the XAU index which always (on average) lost money in the case of the Stochastic Oscillator and didn't earn more (on average) than 1.32% as far as the SP Indicator is concerned.

What sets buying top 1 stock from buying the ones suggested by the SSP is that not only does it have higher average ROIs, but it is also safer in terms of the volatility of results. Finally, when it comes to the RSI indicator, buying top 1 stock seems to be dominating other approaches (optimum average ROI of 12.59% and highest average return) with top 2 taking second place (maximum average return of 11.12%) – buying stocks suggested by the Silver Stock Picker, while still profitable, was not as good – the optimum average ROI of 9.52% is still very high but lower than the previous two, and this approach was also riskier in terms of results' volatility. We would also like to point out that for silver, top 5 seemed to be a nice alternative for risk-averse investors as in all cases it provided fairly high average returns (in comparison with other approaches) with little volatility.

## SUMMARY

As we have seen, when it comes to short-term speculation, using the [Golden Stock Picker](#)/[Silver Stock Picker](#) tools instead of investing in the index can greatly increase one's profits.

What is more, since it's speculating on a short- to medium-term move, with only a tiny part of one's capital, investing in only one or two stocks at a time (or in the number of them suggested by the abovementioned tools), such an approach takes into account the general situation on the market – it may suggest buying just one company, a couple of them or none at all, depending on market conditions) and turns out to be much more profitable than sticking to buying top five stocks which we did in the case of long-term investment and rebalancing.

This is so because of the previously mentioned small portion of one's capital being put into such a transaction – if you happen to be wrong one or two times it won't hurt you much and you'll likely make up for it in the profitable transactions.

As always, we would like to stress that there are no certainties in trading and investment and what we wrote in this report and in the appendices are only our opinions based on the research that we have conducted. We think that it's likely that we made a thorough research and that the implications are meaningful, but we can't guarantee anything, especially any investment return. Please see disclaimer at the bottom of the report for more details.

## APPENDIX A

### a complete rebalancing example

In this appendix, we would like to show you what a full rebalancing simulation looks like. “Seeing is believing”, the saying goes, and we believe that once you see the difference between buying top 5 stocks in the ranking instead of just the ones suggested by the Golden StockPicker/Silver StockPicker tools (which may happen to be just one or two, or none at all), you will realize that when it comes to long-term investments, diversification is the way to go.

Since the simulation printout is quite long, we tried to choose high interval values, as it makes it a bit shorter without losing its illustrative value. We will start with a sample rebalancing simulation for gold stocks, where every time we rebalance our portfolio, we pick top 5 stocks from the ranking (their order of appearance in the portfolio is identical to the one in the Golden StockPicker/Silver StockPicker tools). We also allocate our capital equally between these stocks. We chose the following preferences for the Golden StockPicker (for more information about what they mean, please refer to our instructional video): low risk tolerance, long-term investment perspective and basic mode. The interval was 50 days, which meant that we rebalanced our port-

folio every 50 trading days. Initial capital was \$1,000,000.00.

Before we delve into the results table, let us explain the notation. “x0” means the day that the rebalancing took place, the first x0 will always be July 10, 2006. “Capital at x0 + Int” is the total value of our portfolio interval days after the rebalancing. This is automatically going to be the next x0. For instance, if x0 = July 10, 2006 and interval = 50, then Capital at x0 + Int will be the portfolio value 90 trading days from July 10, 2006, i.e. September 21, 2006. “Price at x0” is a particular company’s share price at the time of rebalancing (we used close price), while “Price at x0 + Int” is the company’s share price interval days from the time of rebalancing. Here again, if x0 = July 10, 2006 and interval = 50, then price at x0 is the company’s share price on July 10, 2006 and price at x0 + Int is the company’s share price 50 trading days from July 10, 2006, i.e. on September 21, 2006. “Change” reflects the share price’s change during the period between one rebalancing and another, i.e. between x0 and x0 + Int. “% Change” is the same change but expressed as a percentage of x0. “No. stocks” is the number of stocks

bought at the moment of rebalancing. “Total change” is the total change in the value of a position in a given company, i.e. Total change=Change xNo.Stocks.

In the simulation we operated as follows: every time rebalancing occurred we sold all stocks held in our portfolio up to that point and bought the top 5 stocks, according to the ranking generated by the Golden StockPicker. So in the example that follows we started on July 10, 2006 (x0), with initial capital of \$1,000,000.00 and bought shares of the following companies: NGD, RGLD, KGC, ABX and GSS. On September 21, 2006 (x0 + Int) we sold our portfolio for \$959,427.92 (Capital at x0 + Int). We then used that money to buy the top 5 companies, as indicated by the Golden StockPicker: AU, GG, GFI, NEM, and AEM. Note that at that point September 21, 2006 became the new x0 and that we assumed no transaction costs (it is a bit of simplification, but not enough to skew the results of the study). Then, 50 trading days from that – on December 6, 2006 (x0 + int) we sold our portfolio for \$1,170,377.37 (Capital at x0 + int) and used the proceeds to buy a new one, and so on. The following table illustrates this process in full detail:

x0	July 10, 2006	Capital at x0 + Int	\$959,427.92	Initial Capital: \$1,000,000.00		
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$8.90	\$7.98	-\$0.92	-10.34%	22471	-\$20,673.32
RGLD	\$27.95	\$26.88	-\$1.07	-3.83%	7155	-\$7,655.85
KGC	\$10.90	\$11.81	\$0.91	8.35%	18348	\$16,696.68
ABX	\$30.07	\$29.06	-\$1.01	-3.36%	6651	-\$6,717.51
GSS	\$2.88	\$2.56	-\$0.32	-11.11%	69444	-\$22,222.08
x0	September 21, 2006	Capital at x0 + Int	\$1,170,377.37			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AU	\$38.19	\$46.11	\$7.92	20.74%	5024	\$39,790.08
GG	\$22.60	\$29.70	\$7.10	31.42%	8490	\$60,279.00
GFI	\$17.48	\$18.52	\$1.04	5.95%	10977	\$11,416.08
NEM	\$43.83	\$46.46	\$2.63	6.00%	4377	\$11,511.51
AEM	\$29.82	\$43.49	\$13.67	45.84%	6434	\$87,952.78

x0	December 6, 2006	Capital at x0 + Int	\$1,184,286.69			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$5.74	\$6.03	\$0.29	5.05%	40779	\$11,825.91
AUY	\$12.95	\$14.05	\$1.10	8.49%	18075	\$19,882.50
AEM	\$43.49	\$39.04	-\$4.45	-10.23%	5382	-\$23,949.90
GG	\$29.70	\$26.57	-\$3.13	-10.54%	7881	-\$24,667.53
GSS	\$3.19	\$3.61	\$0.42	13.17%	73377	\$30,818.34
x0	February 27, 2007	Capital at x0 + Int	\$1,195,089.01			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GSS	\$3.61	\$4.16	\$0.55	15.24%	65611	\$36,086.05
AUY	\$14.05	\$13.99	-\$0.06	-0.43%	16858	-\$1,011.48
EGO	\$6.03	\$5.84	-\$0.19	-3.15%	39279	-\$7,463.01
KGC	\$13.48	\$13.50	\$0.02	0.15%	17571	\$351.42
NEM	\$44.30	\$41.09	-\$3.21	-7.25%	5346	-\$17,160.66
x0	May 11, 2007	Capital at x0 + Int	\$1,274,251.23			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
HMY	\$15.73	\$14.04	-\$1.69	-10.74%	15195	-\$25,679.55
BVN	\$34.60	\$39.63	\$5.03	14.54%	6908	\$34,747.24
FCX	\$72.92	\$93.77	\$20.85	28.59%	3277	\$68,325.45
GG	\$24.25	\$25.68	\$1.43	5.90%	9856	\$14,094.08
GOLD	\$24.24	\$22.99	-\$1.25	-5.16%	9860	-\$12,325.00
x0	July 30, 2007	Capital at x0 + Int	\$1,474,083.74			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$42.83	\$54.74	\$11.91	27.81%	5950	\$70,864.50
ABX	\$33.28	\$42.04	\$8.76	26.32%	7657	\$67,075.32
FCX	\$93.77	\$110.94	\$17.17	18.31%	2717	\$46,650.89
AU	\$42.49	\$43.49	\$1.00	2.35%	5997	\$5,997.00
IAG	\$8.27	\$8.57	\$0.30	3.63%	30816	\$9,244.80
x0	October 16, 2007	Capital at x0 + Int	\$1,675,358.87			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$34.34	\$38.64	\$4.30	12.52%	8585	\$36,915.50
GG	\$32.43	\$37.89	\$5.46	16.84%	9090	\$49,631.40
BVN	\$52.71	\$63.22	\$10.51	19.94%	5593	\$58,782.43
KGC	\$16.56	\$20.81	\$4.25	25.66%	17802	\$75,658.50
EGO	\$6.73	\$6.28	-\$0.45	-6.69%	43806	-\$19,712.70
x0	January 3, 2008	Capital at x0 + Int	\$1,943,625.53			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$58.50	\$74.10	\$15.60	26.67%	5727	\$89,341.20
GG	\$37.89	\$41.31	\$3.42	9.03%	8843	\$30,243.06
KGC	\$20.81	\$24.35	\$3.54	17.01%	16101	\$56,997.54
ABX	\$48.71	\$49.58	\$0.87	1.79%	6878	\$5,983.86
BVN	\$63.22	\$79.39	\$16.17	25.58%	5300	\$85,701.00
x0	March 18, 2008	Capital at x0 + Int	\$1,902,128.94			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$7.54	\$8.79	\$1.25	16.58%	51555	\$64,443.75
HMY	\$13.24	\$11.48	-\$1.76	-13.29%	29359	-\$51,671.84



AEM	\$74.10	\$68.37	-\$5.73	-7.73%	5245	-\$30,053.85
AUY	\$17.86	\$14.89	-\$2.97	-16.63%	21765	-\$64,642.05
EGO	\$7.50	\$8.28	\$0.78	10.40%	51830	\$40,427.40
x0	June 3, 2008	Capital at x0 + Int	\$1,553,207.99			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NCMGY	\$31.00	\$20.85	-\$10.15	-32.74%	12271	-\$124,550.65
ABX	\$39.73	\$32.16	-\$7.57	-19.05%	9575	-\$72,482.75
RGLD	\$30.48	\$33.00	\$2.52	8.27%	12481	\$31,452.12
KGC	\$19.41	\$14.94	-\$4.47	-23.03%	19599	-\$87,607.53
GG	\$39.50	\$29.56	-\$9.94	-25.16%	9631	-\$95,732.14
x0	August 15, 2008	Capital at x0 + Int	\$1,133,763.56			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
BVN	\$21.16	\$11.56	-\$9.60	-45.37%	14680	-\$140,928.00
GSS	\$1.41	\$0.96	-\$0.45	-31.91%	220313	-\$99,140.85
GFI	\$8.66	\$6.52	-\$2.14	-24.71%	35870	-\$76,761.80
HMY	\$7.62	\$7.83	\$0.21	2.76%	40766	\$8,560.86
GG	\$29.56	\$18.98	-\$10.58	-35.79%	10508	-\$111,174.64
x0	October 29, 2008	Capital at x0 + Int	\$1,650,248.99			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$1.22	\$1.37	\$0.15	12.30%	185862	\$27,879.30
BVN	\$11.56	\$15.96	\$4.40	38.06%	19615	\$86,306.00
AEM	\$27.06	\$47.63	\$20.57	76.02%	8379	\$172,356.03
KGC	\$10.36	\$17.22	\$6.86	66.22%	21887	\$150,144.82
GG	\$18.98	\$25.66	\$6.68	35.19%	11946	\$79,799.28
x0	January 13, 2009	Capital at x0 + Int	\$2,219,149.45			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$47.63	\$57.75	\$10.12	21.25%	6929	\$70,121.48
GSS	\$1.15	\$1.50	\$0.35	30.43%	286999	\$100,449.65
NGD	\$1.37	\$2.06	\$0.69	50.36%	240912	\$166,229.28
AUY	\$6.46	\$9.41	\$2.95	45.67%	51091	\$150,718.45
EGO	\$7.30	\$9.10	\$1.80	24.66%	45212	\$81,381.60
x0	March 26, 2009	Capital at x0 + Int	\$2,597,846.77			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$2.06	\$2.73	\$0.67	32.52%	215451	\$144,352.17
GSS	\$1.50	\$2.03	\$0.53	35.33%	295886	\$156,819.58
HMY	\$11.66	\$10.70	-\$0.96	-8.23%	38064	-\$36,541.44
ABX	\$33.03	\$35.06	\$2.03	6.15%	13437	\$27,277.11
IAG	\$8.54	\$10.21	\$1.67	19.56%	51970	\$86,789.90
x0	June 10, 2009	Capital at x0 + Int	\$2,689,063.07			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$2.73	\$3.49	\$0.76	27.84%	190318	\$144,641.68
GSS	\$2.03	\$2.43	\$0.40	19.70%	255945	\$102,378.00
AUY	\$10.16	\$9.00	-\$1.16	-11.42%	51138	-\$59,320.08
GOLD	\$70.68	\$57.18	-\$13.50	-19.10%	7351	-\$99,238.50
AEM	\$56.57	\$56.87	\$0.30	0.53%	9184	\$2,755.20
x0	August 24, 2009	Capital at x0 + Int	\$3,396,001.93			

Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$56.87	\$56.63	-\$0.24	-0.42%	9456	-\$2,269.44
GSS	\$2.43	\$3.69	\$1.26	51.85%	221322	\$278,865.72
FCX	\$65.44	\$77.70	\$12.26	18.73%	8218	\$100,752.68
BVN	\$25.34	\$37.04	\$11.70	46.17%	21223	\$248,309.10
GFI	\$11.91	\$13.71	\$1.80	15.11%	45156	\$81,280.80
x0	November 4, 2009	Capital at x0 + Int	\$3,540,059.57			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AUY	\$11.79	\$11.20	-\$0.59	-5.00%	57608	-\$33,988.72
FCX	\$77.70	\$83.52	\$5.82	7.49%	8741	\$50,872.62
NCMGY	\$31.80	\$31.53	-\$0.27	-0.85%	21358	-\$5,766.66
NGD	\$4.03	\$4.21	\$0.18	4.47%	168536	\$30,336.48
EGO	\$12.18	\$14.02	\$1.84	15.11%	55763	\$102,603.92
x0	January 20, 2010	Capital at x0 + Int	\$3,604,506.31			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
IAG	\$15.61	\$14.32	-\$1.29	-8.26%	45356	-\$58,509.24
BVN	\$34.38	\$32.71	-\$1.67	-4.86%	20593	-\$34,390.31
AEM	\$55.69	\$57.57	\$1.88	3.38%	12713	\$23,900.44
GSS	\$3.07	\$3.92	\$0.85	27.69%	230622	\$196,028.70
AUY	\$11.20	\$10.21	-\$0.99	-8.84%	63215	-\$62,582.85
x0	April 1, 2010	Capital at x0 + Int	\$4,484,849.49			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
KGC	\$17.54	\$18.70	\$1.16	6.61%	41100	\$47,676.00
AEM	\$57.57	\$64.78	\$7.21	12.52%	12522	\$90,283.62
IAG	\$14.32	\$18.97	\$4.65	32.47%	50342	\$234,090.30
BVN	\$32.71	\$39.49	\$6.78	20.73%	22039	\$149,424.42
GDN	\$4.56	\$6.83	\$2.27	49.78%	158092	\$358,868.84
x0	June 18, 2010	Capital at x0 + Int	\$4,460,932.32			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$18.37	\$19.26	\$0.89	4.84%	48827	\$43,456.03
NGD	\$6.83	\$6.30	-\$0.53	-7.76%	131327	-\$69,603.31
BVN	\$39.49	\$41.46	\$1.97	4.99%	22713	\$44,744.61
GOLD	\$94.98	\$91.92	-\$3.06	-3.22%	9443	-\$28,895.58
NEM	\$61.25	\$60.32	-\$0.93	-1.52%	14644	-\$13,618.92
x0	September 1, 2010	Capital at x0 + Int	\$4,824,061.83			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$6.30	\$8.48	\$2.18	34.60%	141616	\$308,722.88
EGO	\$19.26	\$17.79	-\$1.47	-7.63%	46323	-\$68,094.81
AEM	\$64.46	\$79.82	\$15.36	23.83%	13840	\$212,582.40
GSS	\$4.75	\$4.49	-\$0.26	-5.47%	187828	-\$48,835.28
IAG	\$18.17	\$17.33	-\$0.84	-4.62%	49102	-\$41,245.68
x0	November 12, 2010	Capital at x0 + Int	\$4,539,793.25			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$8.48	\$8.04	-\$0.44	-5.19%	113775	-\$50,061.00
GFI	\$17.31	\$15.87	-\$1.44	-8.32%	55737	-\$80,261.28
FCX	\$103.92	\$108.75	\$4.83	4.65%	9284	\$44,841.72

AEM	\$79.82	\$68.44	-\$11.38	-14.26%	12087	-\$137,550.06
ABX	\$50.73	\$47.51	-\$3.22	-6.35%	19018	-\$61,237.96
x0	January 31, 2011	Capital at x0 + Int	\$4,829,189.34			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
NGD	\$8.04	\$10.62	\$2.58	32.09%	112930	\$291,359.40
GSS	\$3.69	\$3.06	-\$0.63	-17.07%	246059	-\$155,017.17
EGO	\$16.12	\$17.36	\$1.24	7.69%	56324	\$69,841.76
RGLD	\$46.40	\$52.35	\$5.95	12.82%	19568	\$116,429.60
BVN	\$41.00	\$39.50	-\$1.50	-3.66%	22145	-\$33,217.50
x0	April 12, 2011	Capital at x0 + Int	\$4,359,004.15			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GG	\$52.94	\$47.50	-\$5.44	-10.28%	18244	-\$99,247.36
NCMGY	\$42.60	\$38.44	-\$4.16	-9.77%	22672	-\$94,315.52
EGO	\$17.36	\$14.52	-\$2.84	-16.36%	55635	-\$158,003.40
GOLD	\$85.07	\$81.28	-\$3.79	-4.46%	11353	-\$43,027.87
NEM	\$57.24	\$52.76	-\$4.48	-7.83%	16873	-\$75,591.04
x0	June 28, 2011	Capital at x0 + Int	\$5,024,996.49			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
KGC	\$15.16	\$17.95	\$2.79	18.40%	57506	\$160,441.74
FCX	\$50.44	\$41.99	-\$8.45	-16.75%	17283	-\$146,041.35
IAG	\$18.14	\$22.49	\$4.35	23.98%	48059	\$209,056.65
AEM	\$62.66	\$71.01	\$8.35	13.33%	13913	\$116,173.55
GOLD	\$81.28	\$111.71	\$30.43	37.44%	10725	\$326,361.75
x0	September 9, 2011	Capital at x0 + Int	\$4,096,578.44			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AUY	\$16.98	\$15.42	-\$1.56	-9.19%	59187	-\$92,331.72
GOLD	\$111.71	\$111.01	-\$0.70	-0.63%	8996	-\$6,297.20
AEM	\$71.01	\$44.90	-\$26.11	-36.77%	14152	-\$369,508.72
NGD	\$13.90	\$10.31	-\$3.59	-25.83%	72302	-\$259,564.18
EGO	\$21.48	\$17.19	-\$4.29	-19.97%	46787	-\$200,716.23
x0	November 18, 2011	Capital at x0 + Int	\$4,049,391.77			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
RGLD	\$76.43	\$73.49	-\$2.94	-3.85%	10719	-\$31,513.86
HMY	\$12.90	\$12.41	-\$0.49	-3.80%	63512	-\$31,120.88
GOLD	\$111.01	\$116.17	\$5.16	4.65%	7380	\$38,080.80
AU	\$45.14	\$46.51	\$1.37	3.04%	18150	\$24,865.50
GG	\$50.54	\$47.61	-\$2.93	-5.80%	16211	-\$47,498.23
x0	February 3, 2012	Capital at x0 + Int	\$3,209,610.22			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GSS	\$2.03	\$1.52	-\$0.51	-25.12%	398954	-\$203,466.54
FCX	\$46.48	\$38.29	-\$8.19	-17.62%	17424	-\$142,702.56
NCMGY	\$36.83	\$29.30	-\$7.53	-20.45%	21989	-\$165,577.17
AUY	\$17.15	\$14.48	-\$2.67	-15.57%	47223	-\$126,085.41
GOLD	\$116.17	\$87.20	-\$28.97	-24.94%	6971	-\$201,949.87
x0	February 3, 2012	Capital at x0 + Int	\$3,209,610.22			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change

GSS	\$2.03	\$1.52	-\$0.51	-25.12%	398954	-\$203,466.54
FCX	\$46.48	\$38.29	-\$8.19	-17.62%	17424	-\$142,702.56
NCMGY	\$36.83	\$29.30	-\$7.53	-20.45%	21989	-\$165,577.17
AUY	\$17.15	\$14.48	-\$2.67	-15.57%	47223	-\$126,085.41
GOLD	\$116.17	\$87.20	-\$28.97	-24.94%	6971	-\$201,949.87
x0	April 18, 2012	Capital at x0 + Int	\$3,194,405.14			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GG	\$40.92	\$39.19	-\$1.73	-4.23%	15687	-\$27,138.51
AUY	\$14.48	\$16.24	\$1.76	12.15%	44331	\$78,022.56
KGC	\$9.23	\$8.82	-\$0.41	-4.44%	69547	-\$28,514.27
HMY	\$9.66	\$9.40	-\$0.26	-2.69%	66451	-\$17,277.26
IAG	\$12.65	\$12.25	-\$0.40	-3.16%	50744	-\$20,297.60
x0	July 4, 2012	Capital at x0 + Int	\$3,919,766.20			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
IAG	\$12.25	\$15.59	\$3.34	27.27%	52153	\$174,191.02
AUY	\$16.24	\$18.87	\$2.63	16.19%	39339	\$103,461.57
GOLD	\$93.70	\$121.41	\$27.71	29.57%	6818	\$188,926.78
NGD	\$10.07	\$12.34	\$2.27	22.54%	63443	\$144,015.61
GG	\$39.19	\$46.23	\$7.04	17.96%	16302	\$114,766.08
x0	September 17, 2012	Capital at x0 + Int	\$3,491,919.82			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$15.90	\$14.08	-\$1.82	-11.45%	49305	-\$89,735.10
GSS	\$1.82	\$1.79	-\$0.03	-1.65%	430743	-\$12,922.29
IAG	\$15.59	\$11.68	-\$3.91	-25.08%	50285	-\$196,614.35
KGC	\$10.19	\$9.86	-\$0.33	-3.24%	76933	-\$25,387.89
GOLD	\$121.41	\$105.43	-\$15.98	-13.16%	6457	-\$103,186.75
x0	December 3, 2012	Capital at x0 + Int	\$2,830,478.28			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
KGC	\$9.86	\$7.99	-\$1.87	-18.97%	70830	-\$132,452.10
EGO	\$14.08	\$10.06	-\$4.02	-28.55%	49601	-\$199,396.02
NCMGY	\$26.03	\$23.36	-\$2.67	-10.26%	26829	-\$71,633.43
HMY	\$7.68	\$6.79	-\$0.89	-11.59%	90935	-\$80,932.15
AEM	\$55.11	\$41.14	-\$13.97	-25.35%	12672	-\$177,027.84
x0	February 15, 2013	Capital at x0 + Int	\$2,201,168.16			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AUY	\$15.11	\$11.59	-\$3.52	-23.30%	37464	-\$131,873.28
GG	\$33.80	\$28.85	-\$4.95	-14.64%	16748	-\$82,902.60
EGO	\$10.06	\$7.50	-\$2.56	-25.45%	56271	-\$144,053.76
AEM	\$41.14	\$31.54	-\$9.60	-23.33%	13760	-\$132,096.00
BVN	\$27.08	\$20.46	-\$6.62	-24.45%	20904	-\$138,384.48
x0	May 1, 2013	Capital on the last day of the sample	\$1,636,808.94			
Senior	Price at x0	Price on the last day of the sample	Change	% Change	No. Stocks	Total Change
GSS	\$1.04	\$0.48	-\$0.56	-53.85%	423301	-\$237,048.56
ABX	\$19.21	\$15.06	-\$4.15	-21.60%	22916	-\$95,101.40



KGC	\$5.37	\$4.79	-\$0.58	-10.80%	81980	-\$47,548.40
IAG	\$5.48	\$4.35	-\$1.13	-20.62%	80334	-\$90,777.42
RGLD	\$53.83	\$42.35	-\$11.48	-21.33%	8178	-\$93,883.44

The capital on the last day of the sample was \$1,636,808.94 – a return of 63.68%. Definitely better than the market as a whole, which went down by 33.53% (we use HUI as proxy here). But there were periods where the portfolio was worth much more, its value as high as \$5,024,996.49 on June 28, 2011. But since this simulation is fully automatic, it does not take other signals from the market into account. It is likely that the real investor would be out of the market with at least a part of their capital near extreme, very important events, for instance following our (Sunshine Profits) suggestions published in Premium Updates.

One could, of course, use a great variety of other tools, such as indicators, important support and resistance levels, and so on. But just following our Updates, one would have protected at least part of their capital during the periods of financial turmoil such as the 2008 crisis, the formation of tops in gold and silver in August, 2012 and the great slump in April, 2013. But even without taking any protective actions and just sticking to rebalancing and picking the best stocks, one could still make a decent profit, which further shows both the approach's and the tool's strength.

This example illustrates well the strength of diversification as opposed to investing in just one company. There were situations where the first company in the ranking lost in value, while other made up for it, so that the whole portfolio earned money. Take the May 11, 2007 – July

30, 2007 period, for instance. On May 11, 2007, the top 5 gold stocks in the ranking were: HMY, BVN, FCX, GG and GOLD. HMY and GOLD lost money: 10.74% and 5.16%, respectively, but the other three companies rose in value (14.54%, 28.59% and 5.90%, respectively) and made the whole portfolio gain 6.62% (its value rose from \$1,195,089.01 to \$1,274,251.23). There were other cases where the first stock in the ranking (and maybe others as well) lost in value but the other ones included in the portfolio rose sufficiently to push its value up – consider the following periods:

August 24, 2009 – November 4, 2009 (only the first stock's share price fell), November 4, 2009 – January 20, 2010 (the first and the third stocks lost in value), January 20, 2013 – April 1, 2010 (the first, the second and the fifth stocks' share price decreased). We discussed the situations where the first stock in the ranking lost in value, but there are plenty of cases where other stocks did so and the remaining ones made up for it – just take a look at the above table. And even if a portfolio's value fell in a particular period, most of the time diversification did substantially mitigate losses.

For instance, in the March 18, 2008 – June 3, 2008 period, the gains of the first and the fifth company in the ranking made it so that the overall loss of portfolio's value caused by the remaining three companies was only 2.14% – a relatively small loss indeed, considering the fact that these three com-

panies lost 13.29%, 7.73% and 16.63%, respectively.

Let us now move on to another gold stocks example. This time, only the stocks that met very strict numerical criteria were included in the portfolio. These were only the ones that received the "Including this stock in your portfolio appears to be a very good idea" comment in the Golden StockPicker's ranking (the comment for a particular company's stocks appears when you hover your mouse cursor over the stock's ranking number – for more information about the stock ranking, please refer to our instructional video). This meant that sometimes there was no company in the portfolio, but some other time more than five could find their way there. This time we used the following preferences in the Golden StockPicker tool: medium risk tolerance, basic mode and short-term trading perspective.

The interval was 50 days again, which means that we rebalanced our portfolio every 50 trading days. The initial capital was \$1,000,000.00. The return in this example is exceptional – it is the highest from all the results for gold stocks in the study. We chose this one on purpose to show you that even though gains are really impressive, such strategy entails very high risk, due to the lack of diversification, and should be used only in trading where only a small portion of one's capital is used for a single transaction. The notation is exactly the same as in the previous example.

x0	July 10, 2006	Capital at x0 + Int	\$1,000,000.00	Initial Capital: \$1,000,000.00		
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	September 21, 2006	Capital at x0 + Int	\$1,458,409.78			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$29.82	\$43.49	\$13.67	45.84%	33534	\$458,409.78
x0	December 6, 2006	Capital at x0 + Int	\$1,309,183.48			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$43.49	\$39.04	-\$4.45	-10.23%	33534	-\$149,226.30
x0	February 27, 2007	Capital at x0 + Int	\$1,202,210.02			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$39.04	\$35.85	-\$3.19	-8.17%	33534	-\$106,973.46

x0	May 11, 2007	Capital at x0 + Int	\$970,190.92			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AUY	\$13.99	\$11.29	-\$2.70	-19.30%	85933	-\$232,019.10
x0	July 30, 2007	Capital at x0 + Int	\$1,205,647.34			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AUY	\$11.29	\$14.03	\$2.74	24.27%	85933	\$235,456.42
x0	October 16, 2007	Capital at x0 + Int	\$1,322,534.66			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AEM	\$54.74	\$58.50	\$3.76	6.87%	11012	\$41,405.12
GOLD	\$34.34	\$38.64	\$4.30	12.52%	17554	\$75,482.20
x0	January 3, 2008	Capital at x0 + Int	\$1,739,761.79			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$38.64	\$50.83	\$12.19	31.55%	34227	\$417,227.13
x0	March 18, 2008	Capital at x0 + Int	\$1,739,761.79			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	June 3, 2008	Capital at x0 + Int	\$1,829,983.22			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$42.23	\$44.42	\$2.19	5.19%	41197	\$90,221.43
x0	August 15, 2008	Capital at x0 + Int	\$1,289,890.55			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$44.42	\$31.31	-\$13.11	-29.51%	41197	-\$540,092.67
x0	October 29, 2008	Capital at x0 + Int	\$1,621,114.43			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$31.31	\$39.35	\$8.04	25.68%	41197	\$331,223.88
x0	January 13, 2009	Capital at x0 + Int	\$2,233,713.82			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$39.35	\$54.22	\$14.87	37.79%	41197	\$612,599.39
x0	March 26, 2009	Capital at x0 + Int	\$2,911,816.44			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$54.22	\$70.68	\$16.46	30.36%	41197	\$678,102.62
x0	June 10, 2009	Capital at x0 + Int	\$2,355,656.94			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$70.68	\$57.18	-\$13.50	-19.10%	41197	-\$556,159.50
x0	August 24, 2009	Capital at x0 + Int	\$3,082,372.02			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$57.18	\$74.82	\$17.64	30.85%	41197	\$726,715.08
x0	November 4, 2009	Capital at x0 + Int	\$3,268,994.43			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$74.82	\$79.35	\$4.53	6.05%	41197	\$186,622.41
x0	January 20, 2010	Capital at x0 + Int	\$3,336,557.51			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$79.35	\$80.99	\$1.64	2.07%	41197	\$67,563.08
x0	April 1, 2010	Capital at x0 + Int	\$4,406,183.83			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$80.99	\$94.98	\$13.99	17.27%	20598	\$288,166.02

EGO	\$12.51	\$18.37	\$5.86	46.84%	133355	\$781,460.30
x0	June 18, 2010	Capital at x0 + Int	\$4,441,943.05			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$18.37	\$19.26	\$0.89	4.84%	119928	\$106,735.92
GOLD	\$94.98	\$91.92	-\$3.06	-3.22%	23195	-\$70,976.70
x0	September 1, 2010	Capital at x0 + Int	\$4,431,657.58			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$19.26	\$17.79	-\$1.47	-7.63%	115315	-\$169,513.05
GOLD	\$91.92	\$98.51	\$6.59	7.17%	24162	\$159,227.58
x0	November 12, 2010	Capital at x0 + Int	\$3,728,356.54			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$17.79	\$16.12	-\$1.67	-9.39%	124554	-\$208,005.18
GOLD	\$98.51	\$76.49	-\$22.02	-22.35%	22493	-\$495,295.86
x0	January 31, 2011	Capital at x0 + Int	\$4,080,857.04			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$16.12	\$17.36	\$1.24	7.69%	115643	\$143,397.32
GOLD	\$76.49	\$85.07	\$8.58	11.22%	24371	\$209,103.18
x0	April 12, 2011	Capital at x0 + Int	\$3,656,151.65			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EGO	\$17.36	\$14.52	-\$2.84	-16.36%	117536	-\$333,802.24
GOLD	\$85.07	\$81.28	-\$3.79	-4.46%	23985	-\$90,903.15
x0	June 28, 2011	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
GOLD	\$81.28	\$111.71	\$30.43	37.44%	44982	\$1,368,802.26
x0	September 9, 2011	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	November 18, 2011	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	February 3, 2012	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	April 18, 2012	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	July 4, 2012	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	September 17, 2012	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	December 3, 2012	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	February 15, 2013	Capital at x0 + Int	\$5,024,953.91			

Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	May 1, 2013	Capital at x0 + Int	\$5,024,953.91			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						

In this case the returns are extremely high – our portfolio increased its value by over 400%! It went from the initial \$1,000,000.00 to an astounding \$5,024,953.91. But let it not fool us that this is an adequate approach to long-term investments. Let's take a look at how the portfolio's value evolved in time – the above table is full of evidence that this approach is alright when it comes to short-term trading, but by no means should it be used in a serious investment for the long run. For instance, in the first couple of periods, we invested all our money into just one stock.

It was great when we earned \$458,409.78 during the September 21, 2006 – December 6, 2006 period, but not so when we lost \$149,226.30, \$106,973.46 and \$232,019.10 in the following ones.

Diversification might have decreased our profits in the first mentioned period, but would have almost surely mitigated losses or even made a profit in the other ones. Now, if we had allocated only a small portion of our capital for each of the above transactions we would've been happy with the proceeds from the

profitable trade, and not very miserable about the losses from the other ones since they wouldn't have hurt us that much.

Now, the fact that we wound up with a profit stems from the fact that the Golden StockPicker was right about the stocks we bought more often than not. The fact that the profit was so high is a matter of right parameters (like interval, risk tolerance, perspective) and also other factors independent of the methods and tools that were used, which we may call market behavior.

Other sets of parameters might have generated smaller returns, and that is what happened in our study. And even though for gold stocks, there were lots of cases with returns over 100%, 200% and even 300%, there were also situations where such an approach lost money – this is the natural consequence of the high risk associated with buying just one or two companies.

Let us now move on to our final example – this time we'll deal with silver stocks. This example is even more extreme in terms of return than the previous one. Here again, we abandon the “top 5 stocks

from the ranking” approach and venture a risky (as far as long-term investments, where a large part of one's capital is allocated, are concerned) path of choosing only the stocks that meet very strict numerical criteria.

So – just like in the previous example – these were only the stocks that received the “Including this stock in your portfolio appears to be a very good idea” comment in the Golden StockPicker's ranking (the comment for a particular company's stocks appears when you hover your mouse cursor over the stock's ranking number – for more information about the stock ranking, please refer to our instructional video).

This meant that sometimes there was no company in the portfolio, but some other time more than five could find their way there. This time we used the following preferences in the Silver StockPicker tool: high risk tolerance, basic mode and short-term trading perspective. The interval was 60 days, which means that we rebalanced our portfolio every 60 trading days.

The initial capital was \$1,000,000.00. Let us have a look at the results.

x0	July 10, 2006	Capital at x0 + Int	\$1,000,000.00	Initial Capital: \$1,000,000.00		
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	October 5, 2006	Capital at x0 + Int	\$1,842,104.64			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AG	\$2.47	\$4.55	\$2.08	84.21%	404858	\$842,104.64
x0	January 11, 2007	Capital at x0 + Int	\$1,842,104.64			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	April 12, 2007	Capital at x0 + Int	\$1,842,104.64			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	July 16, 2007	Capital at x0 + Int	\$1,842,104.64			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	October 16, 2007	Capital at x0 + Int	\$2,026,394.87			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change



AG	\$4.25	\$4.57	\$0.32	7.53%	158446	\$50,702.72
SVM	\$7.47	\$8.74	\$1.27	17.00%	81951	\$104,077.77
SLW	\$14.71	\$15.49	\$0.78	5.30%	37833	\$29,509.74
x0	January 17, 2008	Capital at x0 + Int	\$2,026,394.87			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	April 17, 2008	Capital at x0 + Int	\$2,026,394.87			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	July 17, 2008	Capital at x0 + Int	\$2,026,394.87			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	October 15, 2008	Capital at x0 + Int	\$2,259,811.90			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
SVM	\$1.83	\$1.80	-\$0.03	-1.64%	265552	-\$7,966.56
SSRI	\$10.17	\$16.51	\$6.34	62.34%	43439	\$275,403.26
EXK	\$1.36	\$1.15	-\$0.21	-15.44%	295309	-\$62,014.89
AG	\$1.30	\$1.73	\$0.43	33.08%	280854	\$120,767.22
HL	\$3.22	\$2.32	-\$0.90	-27.95%	103080	-\$92,772.00
x0	January 13, 2009	Capital at x0 + Int	\$2,557,910.90			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
SSRI	\$16.51	\$16.11	-\$0.40	-2.42%	28570	-\$11,428.00
SLW	\$5.73	\$7.79	\$2.06	35.95%	74837	\$154,164.22
CDE	\$8.60	\$11.00	\$2.40	27.91%	45329	\$108,789.60
AG	\$1.73	\$1.48	-\$0.25	-14.45%	204852	-\$51,213.00
SVM	\$1.80	\$2.30	\$0.50	27.78%	178987	\$89,493.50
PAAS	\$15.54	\$15.98	\$0.44	2.83%	18847	\$8,292.68
x0	April 9, 2009	Capital at x0 + Int	\$2,557,910.90			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	July 13, 2009	Capital at x0 + Int	\$4,860,913.48			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
EXK	\$1.60	\$2.97	\$1.37	85.63%	584416	\$800,649.92
CDE	\$10.95	\$22.37	\$11.42	104.29%	77631	\$886,546.02
SLW	\$7.68	\$13.80	\$6.12	79.69%	100622	\$615,806.64
x0	October 7, 2009	Capital at x0 + Int	\$6,196,507.38			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
HL	\$4.90	\$6.52	\$1.62	33.06%	284503	\$460,894.86
EXK	\$2.97	\$4.06	\$1.09	36.70%	426712	\$465,116.08
CDE	\$22.37	\$19.05	-\$3.32	-14.84%	51503	-\$170,989.96
AG	\$2.67	\$4.15	\$1.48	55.43%	392279	\$580,572.92
x0	January 5, 2010	Capital at x0 + Int	\$5,194,660.38			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
CDE	\$19.05	\$15.97	-\$3.08	-16.17%	325275	-\$1,001,847.00
x0	April 1, 2010	Capital at x0 + Int	\$5,194,660.38			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change

No seniors meeting the criteria						
x0	July 6, 2010	Capital at x0 + Int	\$9,397,237.08			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AG	\$3.77	\$6.82	\$3.05	80.90%	1377894	\$4,202,576.70
x0	September 30, 2010	Capital at x0 + Int	\$19,097,610.84			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AG	\$6.82	\$13.86	\$7.04	103.23%	1377894	\$9,700,373.76
x0	December 30, 2010	Capital at x0 + Int	\$20,924,449.54			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
HL	\$11.13	\$8.87	-\$2.26	-20.31%	898787	-\$2,031,258.62
AG	\$13.86	\$19.74	\$5.88	42.42%	656139	\$3,858,097.32
x0	March 29, 2011	Capital at x0 + Int	\$18,710,682.94			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AG	\$19.74	\$17.79	-\$1.95	-9.88%	555239	-\$1,082,716.05
EXK	\$9.25	\$8.20	-\$1.05	-11.35%	1077191	-\$1,131,050.55
x0	June 28, 2011	Capital at x0 + Int	\$18,710,682.94			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	September 23, 2011	Capital at x0 + Int	\$18,710,682.94			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	December 19, 2011	Capital at x0 + Int	\$21,084,195.62			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
SVM	\$6.07	\$6.84	\$0.77	12.69%	3082484	\$2,373,512.68
x0	March 19, 2012	Capital at x0 + Int	\$19,962,562.44			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
AG	\$16.73	\$15.84	-\$0.89	-5.32%	1260262	-\$1,121,633.18
x0	June 20, 2012	Capital at x0 + Int	\$24,891,777.45			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
SSRI	\$13.00	\$16.21	\$3.21	24.69%	1535581	\$4,929,215.01
x0	September 17, 2012	Capital at x0 + Int	\$24,891,777.45			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	December 17, 2012	Capital at x0 + Int	\$24,891,777.45			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						
x0	March 18, 2013	Capital at x0 + Int	\$18,298,997.22			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
HL	\$4.22	\$3.41	-\$0.81	-19.19%	1414560	-\$1,145,793.60
CDE	\$19.00	\$13.99	-\$5.01	-26.37%	285619	-\$1,430,951.19
SLW	\$30.40	\$23.07	-\$7.33	-24.11%	162283	-\$1,189,534.39
EXK	\$6.30	\$4.05	-\$2.25	35.71%	711893	-\$1,601,759.25
SSRI	\$10.32	\$7.22	-\$3.10	-30.04%	395078	-\$1,224,741.80
x0	June 14, 2013	Capital at x0 + Int	\$18,298,997.22			
Senior	Price at x0	Price at x0 + Int	Change	% Change	No. Stocks	Total Change
No seniors meeting the criteria						

In this case returns are astronomical – around 1730%! And even though most of the time we did earn money, it was mostly thanks to investing in just one or two stocks, which isn't exactly the diversification that we seek. If after seeing these two examples that didn't care about

diversification you're still tempted to follow this approach think of how you would feel betting \$1,000,000.00 (or any amount of money that is significant to you, be it \$100 or \$1,000,000,000.00) on just one company and then losing, say 20% on such a bet. We've seen such cases many

times. And even though we might have earned much more later, still betting on just one company imagine yourself at the very moment when you lost that money and wasn't sure about what the future would bring.

APPENDIX B

the difference between average and optimum ROI  
for a given set of preferencest – an example

In this appendix we will delve a bit deeper into what we called optimum ROIs (Return on Investment) and average ROIs for a particular set of preferences. In the report we wrote that we tested many different versionsof rebalancing,i.e.wetookmany different things into account. These things are called parameters. And for each different set of parameters we obtained results for each interval.

Here are sample results for the following parameters:silverstocks,low risk tolerance, buying top 5 companies every time rebalancing occurs (every interval trading days), spending equal amount of money on each of these 5 companies and long-term investment perspective. We would like to remind you that what the numbers below represent the overall returns made using the rebalancing approach in the period between July 10, 2006 and July 15, 2013. That is, we started on July 10, 2006 and rebalanced our portfolio (i.e. sold all stocks that weren't top 5 anymore and bought the other ones that made it to the top 5) every interval trading days. So if, for instance, the interval was 20, then we rebalanced our portfolio every 20 trading days. The results are in the Table 1.

Before getting into a detailed explanation, let us present the results for other set of preferences – actually every parameter except for the number of companies bought each time rebalancing takes place. This time only the companies that met particular numerical criteria were bought. These were the companies that received the “Including this stock in your

Interval	ROI
5	49.30%
10	37.24%
15	33.40%
20	42.12%
25	31.00%
30	34.95%
35	32.12%
40	37.41%
45	37.24%
50	20.71%
55	26.47%
60	30.35%
65	32.14%
70	26.22%
75	28.27%
80	22.91%
85	16.99%
90	36.48%
95	21.91%
100	25.32%
Avg.	31.13%
Std.Dev.	7.63%

Table 1.

portfolio appears to be a good idea” comment in the Silver StockPicker’s ranking (the comment for a particular company’s stocks appears when you hover your mouse cursor over the stock’s ranking

Interval	ROI
5	122.61%
10	49.66%
15	-0.22%
20	258.79%
25	-41.04%
30	2.78%
35	67.20%
40	122.85%
45	0.64%
50	-38.94%
55	-51.92%
60	41.58%
65	-71.38%
70	41.29%
75	14.73%
80	60.07%
85	8.37%
90	40.93%
95	45.16%
100	-11.55%
Avg.	28.99%
Std.Dev.	73.98%

Table 2.

number – for more information about the stock ranking, please refer to our instructional video). The results are shown in the Table 2.

First of all, these two tables are a great complement to appendix A, as far as praise for diversification is concerned. We can see that in the first case (always buying top 5 stocks according to Silver StockPicker) the results are quite similar and are always positive (as a remainder: the whole market went down by 38.25% - we use the XAU index as proxy here).

When we take a look at the second case, some extraordinarily high returns appear, but at the (very high) price of volatility – in some cases we lost much more than half of the initial wealth (-51.92% for the interval of 55 trading days, and -71.38% for the interval of 65 trading days).

We believe that when it comes to long-term investments, the stability and positivity of returns take precedence over their magnitude. Let's get back to explanations of the

optimum and average ROI. In the above examples we have marked the optimum (i.e. the highest) returns with gold background and printed them in bold-faced type. So when we write that the highest optimum return for gold stocks was 402.50% we mean the highest of only the optimum (i.e. gold and boldfaced) returns. But since the optimum are always the highest, in this case it makes no difference saying just “the highest return”. But it does matter when it comes to other considerations, such as the average optimum ROI – this means averaging only the optimum (i.e. gold and boldfaced) returns and not taking others into consideration.

So average optimum return and average return are two completely different things! For example, with silver stocks, the average optimum ROI was 191.41% and the average ROI: 49.19%. The difference appears because

if there's 36 sets of preferences and 20 interval values for each one of them, then in the first case we average only over the 36 optimum values and in the second one – over all 720 (=36×20) values.

In our report we also wrote: “When we take a look not at the optimum gain out of 20 interval settings, but at their average (...)” and then provided various numerical characteristics regarding average gains, such as maximum and – well – average.

Average for a particular set of parameters is displayed at the bottom of the results table and is marked with gray background. So what we meant by maximum average was the maximum average ROI out of all averages calculated for each set of preferences. And average of average ROIs is just the average of all returns for particular metal's stocks.

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APPENDIX C

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a complete trading example

**In this appendix we'll provide a complete example of a trading simulation. The methodology is thoroughly described in the report itself, so we will not delve into that matter here. We would just like to emphasize that in this case we did not compare the overall gains from trading as there were situations where multiple positions were open at the same time (this always happened for the Dummy Indicator that by definition flashed buy signals every day, but it also took place in the case of other indicators). This is why average gains were compared.**

Since simulation printouts are quite lengthy, we decided to provide you with charts which – we believe – are even more informative than the numbers themselves. This example simulation was carried out with the following settings: we traded only in silver senior stocks, each time a trading signal was flashed, we bought the top one stock (as indicated by the Silver StockPicker tool) and held our position for 50 trading days. We used the following options in the Silver StockPicker tool: basic mode, high risk tolerance and

short-term trading perspective. The table below (Table 1.) presents average returns on investment (ROI) and their standard deviations for the Silver StockPicker and for the XAU index which was our benchmark.

	Dummy Indicator	RSI	Stochastic Oscillator	SP Short Term Gold Stock Indicator
Average Silver StockPicker returns:	7.18%	11.79%	5.71%	10.83%
Average XAU returns:	0.40%	3.39%	-0.81%	1.32%
Std. Dev. of Silver StockPicker returns:	34.08%	36.01%	32.08%	36.42%
Std. Dev. of XAU returns:	16.90%	16.59%	16.07%	16.27%

Table 1.

Using Silver StockPicker turned out to be far more profitable (on average) than buying the index in all cases. Silver StockPicker returns were also much more volatile which is not that surprising: higher

profits usually come with greater risk. Let us now have a look at the charts below depicting returns from particular transactions. We'll start with Dummy Indicator (Chart 1).



This chart is a great visual complement of the above table. The profitable trades' returns were much higher in the case of Silver StockPicker and losses were usually more acute. But since we're discussing short-term speculation here, these losses don't seem that important, as such transactions are usually made with an accompanying stop-loss order that cuts any potential losses short, before they manage to wreak havoc on your portfolio. Plus, these speculative bets are made with a small portion of your capital, further protecting you from severe losses.

So let us now move on to the Relative Strength Index signals and their effectiveness (Chart 2). Similar comments apply in this case, although here the advantage of Silver StockPicker is not as spectacular as in the previous one.

Let's have a look at how the situation looks like in the case of Stochastic Oscillator (Chart 3).

Again, the "good" trades turned out to be more profitable for Silver StockPicker than for the XAU index. It is worth mentioning that in this case losses weren't always greater for the Silver StockPicker tool, and even when they were, the difference was not that wide. This may stem from the fact that there was no real logic behind Dummy Indicator – it was just something to start with. Here we deal with genuine trade signals and these results further show Silver StockPicker's strength.

To finish off our example, let's have a look at the Sunshine Profits Short-Term Gold Stock Indicator's returns chart (Chart 4). This chart is fairly similar to the previous one – the Silver StockPicker advantage over buying the whole market is enormous and the difference in losses is not as severe in the case of Dummy Indicator.

This example shows a common phenomenon in the trading study results: trades made with the use of Golden StockPicker/Silver StockPicker were usually far more profitable than just buying the index, when a buy signal was flashed. They also entailed higher risk (i.e. higher volatility of returns) than the index but this risk can be mitigated quite easily with stop-loss orders.

Overall, using the Silver StockPicker and Golden StockPicker tools for trading purposes along with a sound approach to risk-taking (i.e. opening positions with a small portion of your capital and cutting losses short before they get too big) is likely to generate handsome profits.

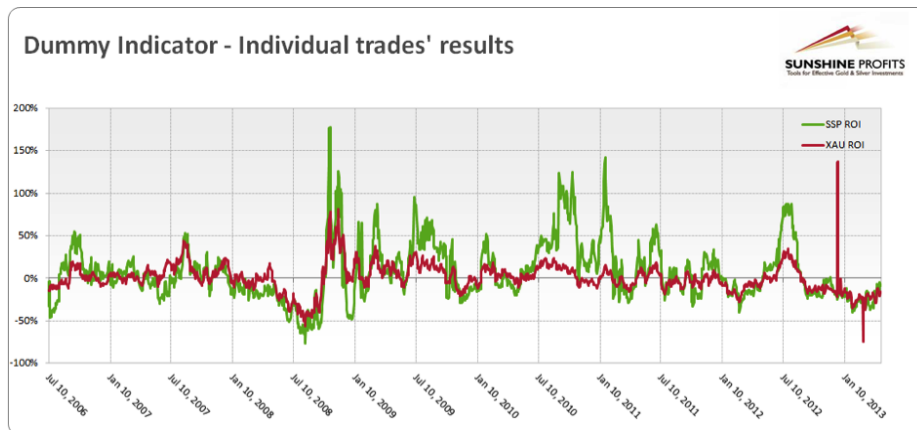


Chart 1.

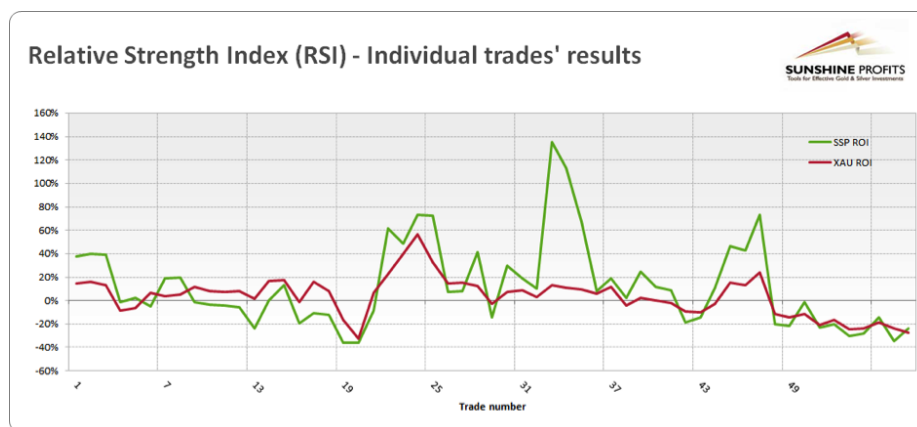


Chart 2.

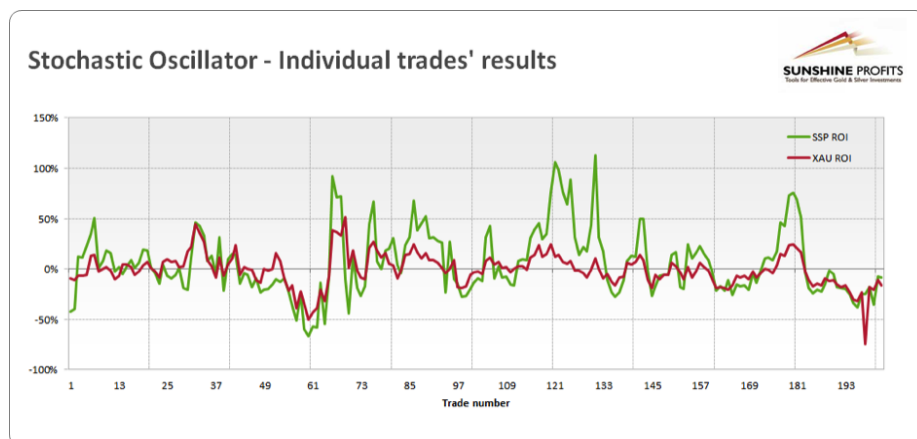


Chart 3.

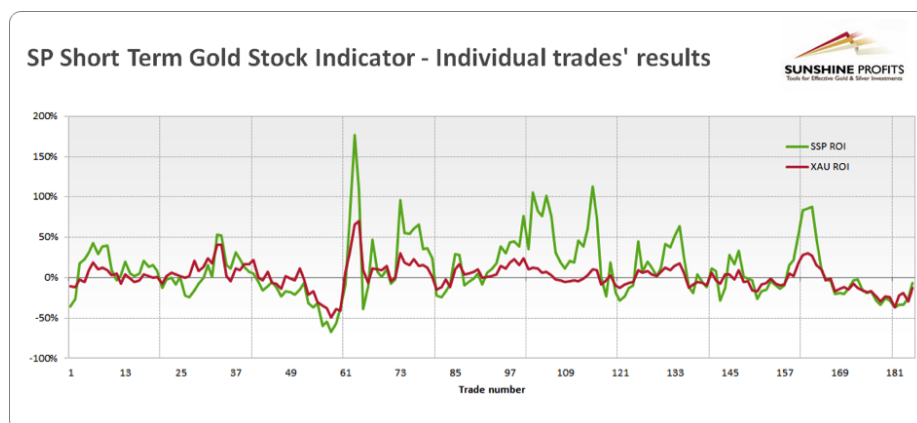


Chart 4.



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