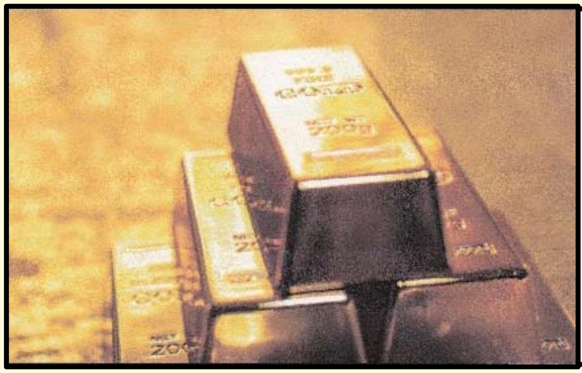
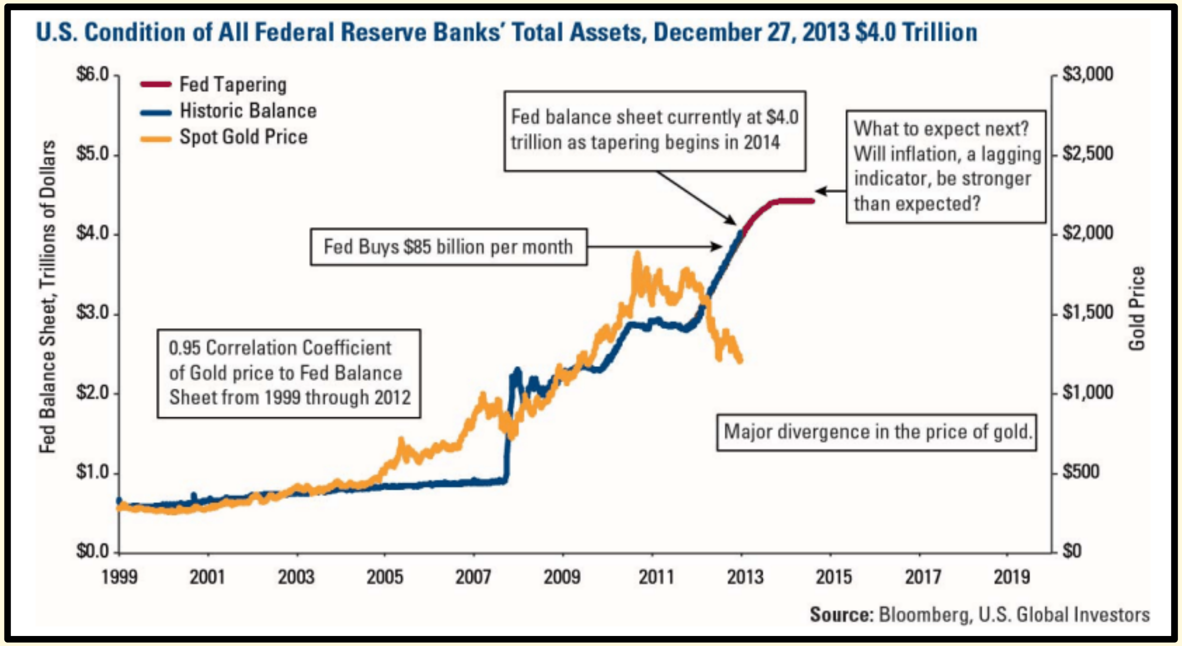


Where do Gold prices go from here?

September 1, 2014

Historically, Gold has been treated as a store of value. Because of its limited supply, it has provided a stable backing for various currencies.

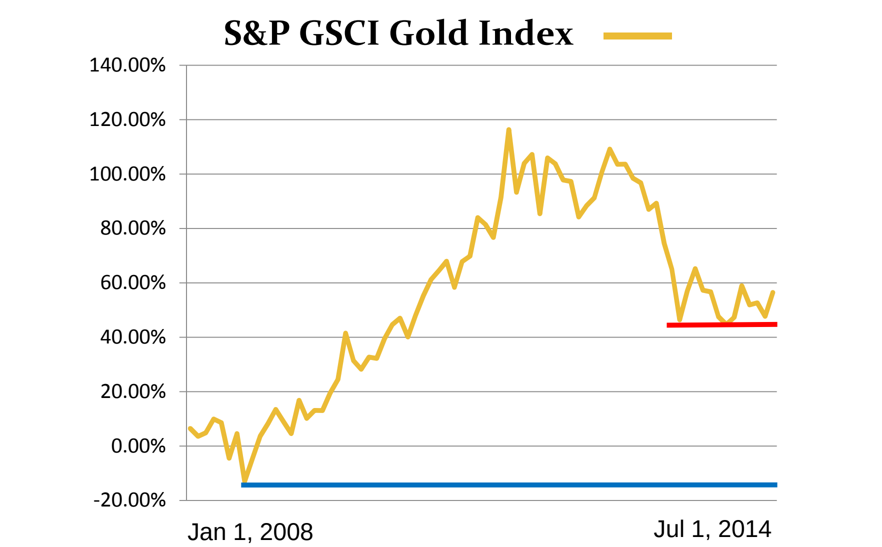
But now all major currencies have come off the “Gold standard”, becoming fiat currencies which can be printed without limitations by government decree. Today, Gold has become a safe haven in times of inflation that can severely devalue these fiat currencies.



It was the fear of inflation, resulting from the Fed's "Quantitative Easings" with their massive dollar printing, that led to the steep rise in the price of Gold from 2008 to 2012.

Although it was assumed that this Fed infusion of dollars into the banks would spur economic growth and result in inflation, this scenario did not play out. The banks did NOT use the infusion to lend out, but rather recycled these dollars with safe Treasuries purchases. They did this because they needed to repair the damage they had suffered from the 2008 financial crisis.

In 2013, investors began to realize that these loans were a back door way for the Fed to restabilize the banks, inflation fears subsided and Gold prices fell.

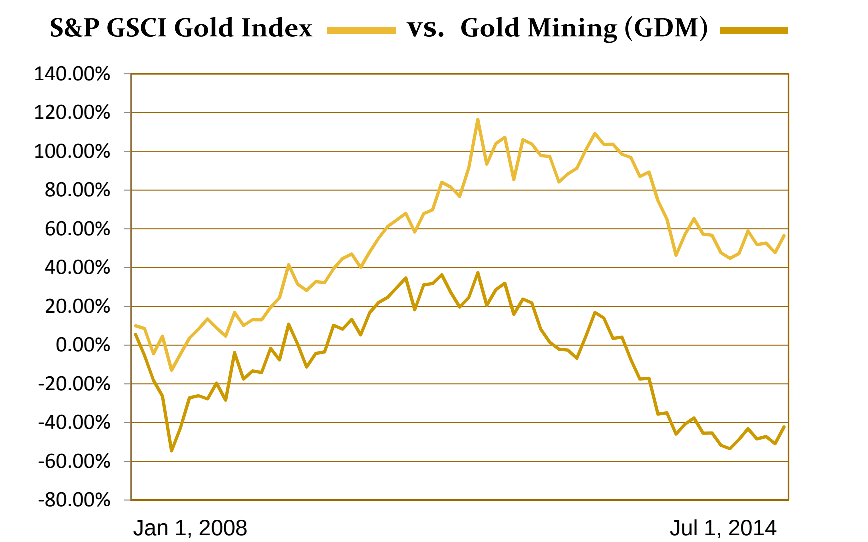


The S&P GSCI® Gold Index, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

Notice that when inflation concerns were taken out of Gold valuations, the prices dropped significantly, ***but not back down to the original starting dollar level,*** even though there was only minimal dollar inflation during this period. Instead, Gold prices found support at around $ 1200 per ounce.

This was no coincidence, as the chart on the right shows, the "All-in-Costs" of Gold Mining Production as calculated by Thompson Reuters GFMS for 2012 was $ 1272 per ounce.

The "All-in Costs" for Gold Mining production was developed by Thompson Reuters GFMS to provide an overall cost of production, which includes initial development and sustaining operations; it gives a realistic view of what it takes for new production. In 2012, "All-in Costs" were $ 1272/ ounce; ***in 2013, they were $1620/ ounce***.*

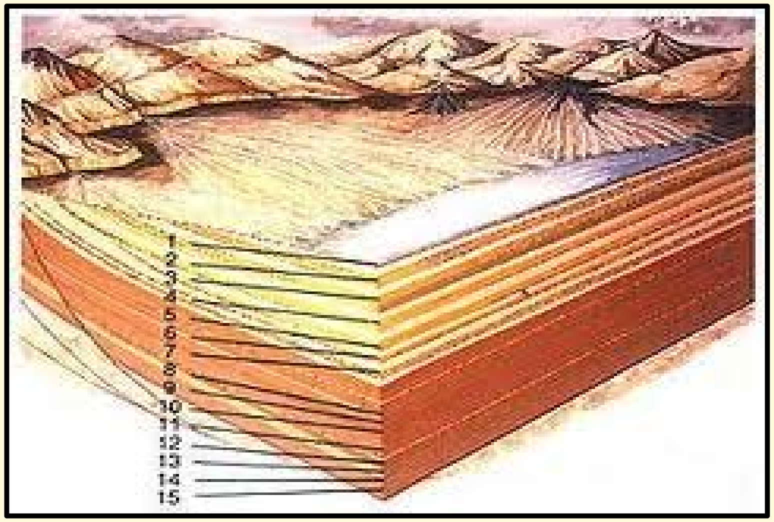


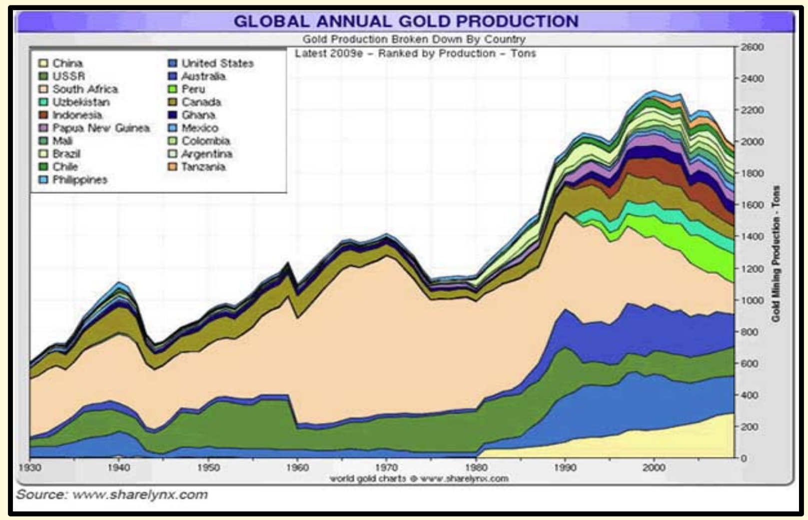
The S&P GSCI® Gold Index, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future. The GDM is the symbol for the AMEX Gold Miners Stock Index. ***It is not possible to invest directly in the AMEX Gold Miners Stock Index.*** **Both the indexes are shown for general market comparisons and are not meant to represent the performance of the Fund.**

This doubling of the "All-in-Costs" from 2008 through 2013 has produced a divergence: the price of Gold has gone up (The S&P GSCI® Gold Index, + 56.45%) while the value of Gold Mining stocks has gone down (The GDM index, - 42.19%) due to decreased profitability. Gold Bullion has been outperformed Gold Mining by **+ *98.64%***.

** Thompson Reuters GFMS Gold Survey 2014*

There are various reasons for these increasing production costs: many existing Gold mines are old and in decline; in developed countries, Gold mining is restricted by environmental regulations; and new Gold deposits are increasingly difficult to find, with many located in remote places and inhospitable countries.



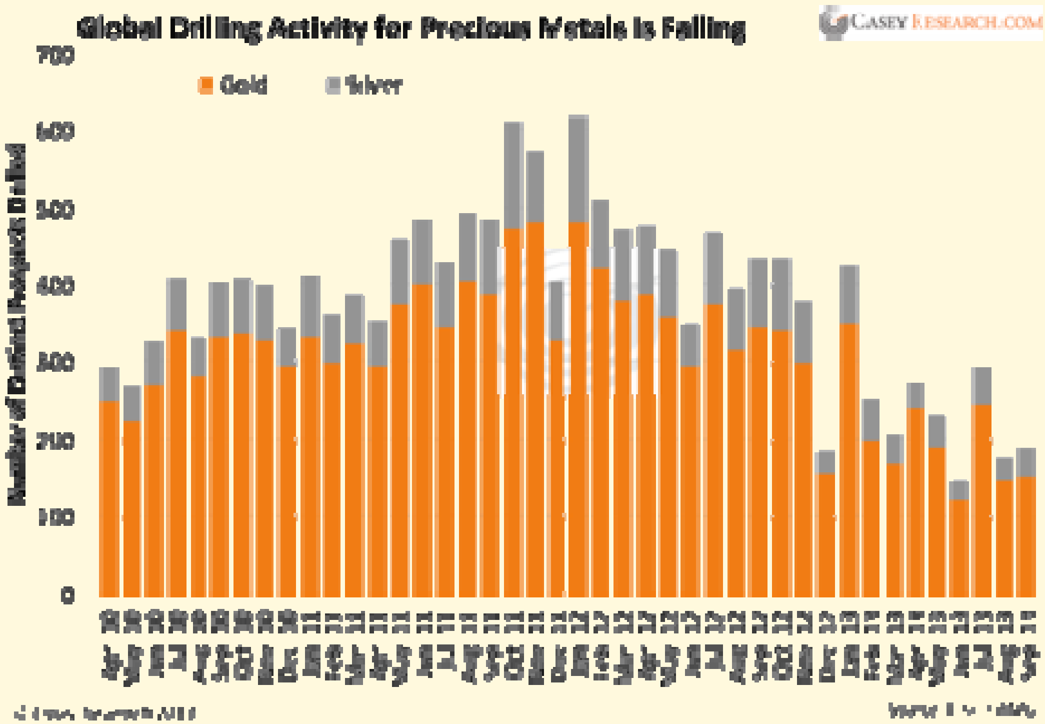


Take for example, South Africa, where almost 50% of the world's Gold deposits lie. The Gold there lies in "Gold reefs" (see diagram above) that require deep drilling and extraction. South Africa's percentage of global Gold production has gone from 79% in 1970 to 6% in 2012. Today, drilling a new mine shaft down the 2.4 miles needed to get where most of the remaining Gold is located, costs more than **$ 4 Billion**.

(Mine Water and the Environment, Vol. 11, No. 4, Dec 1992, pp 43.-52)

Going forward, these dramatic cost increases will most likely lead Gold Mining companies to cut back on current production and/or postpone starting new mines - until Gold prices rise again.

This is exactly what happened in 2013 when Gold prices fell, as this chart of Global drilling activity clearly shows:



<u>There were half as many drills looking for precious metals in the first 9 months of 2013 versus 2012.</u>

Peter Krauth, Resource Specialist, Money Morning

Where do
Gold prices go
from here?

<u>CONCLUSION</u>

Whether or not inflation shows up later in the economy, we believe <u>continually increasing Gold Mining production costs should produce a rising support level for Gold Bullion prices.</u>

This presentation was prepared by Rick Andrews of Avant Capital Management.

Rick Andrews, President of Avant Capital Management, LLC, located in Sarasota, Florida, is the creator of The Gold Bullion Strategy Fund structure. Mr. Andrews has worked closely with Flexible Plan Investments, Ltd.

Avant Capital Management is not affiliated with Flexible Plan Investments.