



John Embry



Rick Rule

An evening with John Embry and Rick Rule

We recently had the pleasure and privilege of dining with John Embry and Rick Rule at a private function hosted by Canaccord Financial. Embry is Chief Investment Strategist at Toronto-based Sprott Asset Management, while Rule is founder and Chairman of Carlsbad, CA-based Global Resource Investments.

With their combination of charisma, knowledge and experience, they can captivate any audience. People listen to what these informed men have to say for guidance in the investing arena, particularly when it comes to the resource sector where they have an incredible track record of success.

Prior to dining with them, they both had the opportunity to speak to us about their views on the current status of the capital markets and global economy. As they are both known to be powerful and articulate speakers, in this rather intimate setting we felt especially captivated by them.

Although they both offered different viewpoints, there were some perspectives they agreed upon. Both agreed that the price of gold will go higher and that energy is cheap. Embry has been bullish on gold for many years and has never been more so than right now. His argument as to why you should own gold is overwhelmingly convincing and, as we agree with him, we felt it appropriate to quote him. Here are his reasons to own gold.

1. Gold is returning to its true historic role as money
2. The inevitability of a collapse in the US dollar
3. The significant world currencies offer no refuge
4. The destruction of government balance sheets and the widespread implementation of zero interest rate policies may ultimately result in hyperinflation
5. The true impact of the malign side of

derivatives has yet to be felt

6. Investment demand for gold is rapidly accelerating, but we're only in the early stages of this phenomenon

7. Growing recognition that many paper gold products do not have the gold backing that they purport to have

8. Mine supply is not anticipated to rise for several years, if at all

9. Central banks are nearing an inflection point where they will no longer be in a position to supply the gold necessary to keep the market in equilibrium

10. Increasing likelihood of accelerating purchases of gold by eastern central banks

11. Increasing skepticism about US gold reserves

12. Large short positions

13. Increasing recognition of the fact that the gold price has been seriously suppressed

14. The suppression is evident in the continuing extreme undervaluation of gold

15. The relatively small size of the gold market

16. Gold is in an established powerful bull market

17. Gold has endured

In conclusion John said, "The fundamentals for gold are impeccable, the long-term technical picture is exceptional and gold remains very inexpensive when compared to almost every other alternative. I expect gold to trade at several multiples of the current price before this bull market breathes its last breath." Need we say more?

Rule expects markets will be extremely volatile this year, which he views as a positive. It's what allows you to pick up assets on the cheap or "on sale" as he describes it. As we mentioned, Rule also remains bullish on gold, but does not have Embry's passion for it. Rule's favorite sector in resources is energy. He maintains energy is cheap but not for long. Demand is going up and supply is problematic.

Rule points out that most of the oil in the world is produced not by the ExxonMobils and Chevrans of the world, but by national oil companies like those of Venezuela, Peru, Iran, Mexico, and Indonesia. The national oil companies are starving themselves of much-needed reinvestment so that they can spend the proceeds on social programs and for political ends. Many of these countries are in immediate danger of no longer being able to export oil.

What else does Rule like? Geothermal and uranium are sectors he likes for the long term. He maintains that geothermal businesses, which are quite boring, work very well and make money. As for uranium, he acknowledged that investors are not favouring uranium right now; however, in a few years, everyone will care about it a great deal. We consume more uranium than we produce and that trend will continue.

One final viewpoint that Embry and Rule both unequivocally agreed upon is that we are headed for a major correction in the financial markets in the not too distant future. Both agree that none of the underlying problems that caused the last meltdown have been fixed and that simply applying more debt upon debt will surely lead to a severe crisis. ■

Dennis Hoesgen and Eric Hoesgen are Investment Advisors with Canaccord Wealth Management, a division of Canaccord Genuity Corp. The information contained in this article was obtained from sources believed to be reliable; however, we do not represent that it is accurate or complete. This report is provided as a general source of information and should not be considered personal investment advice or solicitation to buy or sell securities. The views expressed are those of the authors and not necessarily those of Canaccord. Eric Hoesgen and Dennis Hoesgen can be reached at 604-643-7705 or HIP@Canaccord.com. (Member CIPF)