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INVESTMENT OPPORTUNITIES AND NEWS

2011 HIP Top Ten performance review and 2012 outlook for commodities

In the last Insights and Investments, we released our Hoesgen Investment Partners (HIP) Top Ten for 2012. It was accidentally omitted, at the editing stage, of the article, that the list of stocks were in no particular order, but rather alphabetical. Regardless, we encourage our readers to take a closer look at these companies (with particular attention to one company we will mention at the end of this article). We feel, as a basket portfolio, this has the potential to outperform the market, as we have done in the last two years, since the inception of the HIP Top Ten. Let's take a look at our performance.

If you had bought our 2011 HIP Top Ten on November 29, 2010, the date it was published, and held them to date, as we write this on January 9, 2012, your portfolio would currently be down 2.45%. The TSX Venture Exchange was down 25.34% in the same period, meaning this portfolio has outperformed the venture market by almost 23%.

To recap our performance in 2010, the HIP Top Ten ended the year up 126%, outperforming the TSXV by over 82%.

We think commodity prices will remain generally strong in 2012. With the potential for stimulus packages from China and other emerging market countries, as well as OECD Europe (Organisation for Economic Co-operation and Development) and the US, we feel 2012 will lead with the same volatility we saw in the second half of 2011, while the latter part of 2012 will show some signs of general stability in the world economic arena, which should bring some of the capital forced out of the capital markets in 2011 back into the market. While a potential double-dip in the US, the current European recession, and potentially lower Chinese growth, could impact demand, and therefore put pressure on commodity prices, situations around weather and political disruptions to supplies could impact prices to the upside.

Crude oil looks generally strong, but with some volatility. Most recently, we are paying particular attention to what is happening in the Middle East. Iran's threat of closing the Strait of Hormuz, the waters that account for shipping almost 20% of the world's oil supply, has elevated the current tensions between the West and Iran. So far, there are no physical signs that Iran is preparing to close the strait, which was done in retaliation to the West imposing stricter sanctions on Iran the first week of January in an attempt to freeze Iran's nuclear program. The waterway is not only important for the western world; however, with nations like Saudi Arabia also publicly criticizing Iran's threat to close the strait. We feel that the possibility of any closure to the strait is very low – especially with a parliamentary election coming in Iran this March.

Given the current macroeconomic environment, 2012 could be a challenging year for base metals. China accounts for close to 40% of total base metals consumption. With the possibility of many stimulus policies coming into play, positive price momentum is a possibility this year; as well, any improvement in the global macro environment will help.

2011 was a volatile year for bullion prices. The London Bullion Market Association (LBMA) predicts an average price of US $1,766/oz this year, an increase in the price of gold for the third year in a row. For those of you that don't know, the LBMA is the London-based trade association that represents the wholesale market for gold and silver in London. The average forecast is based on the predictions of 26 people from 26 different financial institutions worldwide. See http://www.lbma.org.uk

If you look at the stats, it is estimated that 165,000 tonnes of gold have been mined in all of human history. A total of 32,825 tonnes are currently held between ETFs, the IMF, and central banks of nations. See http://www.numbersleuth.org

"More than half of all humanity's gold has been extracted in the past 50 years. Now the world's richest deposits are fast being depleted, and new discoveries are rare. Gone are the hundred-mile-long gold reefs in South Africa or cherry-size nuggets in California. Most of the gold left to mine exists as traces buried in remote and fragile corners of the globe. It's an invitation to destruction. But there is no shortage of miners, big and small, who are willing." See http://ngm.nationalgeographic.com/print/2009/01/gold/larmer-text.

Note that six out of the 2012 HIP Top Ten are gold companies. We will continue to be overweight in gold throughout the year.

We also feel compelled at this time to note one junior gold company on the 2012 Top Ten list, **Cliffmont Resources Ltd.** [CMO-TSXV], which recently announced they have signed a purchase agreement for the 100% acquisition of the San Luis Gold Project in Colombia.

The San Luis Gold Project encompasses 2,623 hectares and is located in the Department of Huila. The project has road access, power and water, and is located on the Eastern flank of the Central Cordillera at a relatively low altitude ranging from 1,400 to 2,100 metres. There is a rich history of mining in the area dating back to the 19th century, with over 31 historical mines at the project. One point worth noting from the company's recent press

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release – gold and silver vein structures appear to occur over a vertical zonation greater than 500 metres project-wide and has been traced on surface for over 3 km along various structures.

Over the past few years, approximately $1.5 million was spent on geochemical sampling, mapping and geophysics focusing on the project's epithermal potential. Cliffmont is planning an aggressive exploration program in 2012 of underground and surface sampling, geophysics and drilling. We will update our readers on the company's progress in due course. ■

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