THE PROSPECTOR
RESOURCE INVESTMENT NEWS

THE "P-3" STRATEGY CAN GENERATE STELLAR PROFITS IN GOLD, SILVER, COPPER, URANIUM STOCKS AND BITCOIN

By David H. Smith

P-3: What it is. How it Works."P-3" is the term I've coined for Pareto Principle Positioning. It came to me as an inspiration after I listened to a rare interview last year conducted with Peter Grosskopf, CEO and Director of Sprott, Inc /Global Asset Management conducted on YouTube.

He was discussing a concept that I (and most likely you) have long been aware and appreciative of - the Pareto Principle. It was formulated in the late 1800s by Vilfredo Pareto, an Italian economist and philosopher who observed that 80% of the results of a task are influenced by just 20% of the input. If you can identify that critical 20% and apply it, then you'll likely get 4x more bang for the buck than just randomly striving to accomplish something. (He also said that 20% of the population accumulates 80% of the nation's wealth - probably by consistently applying this principle!)

Grosskopf was commenting about investors he had seen over the years who were skillful at making and keeping big profits. He said, "The most successful investors in this sector do two things extremely well:

1 When others are selling, they are buying; and the reverse.
2 They know how to keep their winners - via the 20%-80% rule. 20% of your investments make 80% of your returns and the rest will probably subtract from that."

His first comment was pretty unremarkable - we ALL struggle with this in our trading and are painfully aware of how difficult, yet essential doing so is to our long-term success. Either you stay ahead of the trading herd, or step in what it leaves behind.

But it was reflecting on his second comment that really blew me away.

I decided to look at my 30 or so stock positions and see how many might fit that 20% designation. Darned if I didn't find 6 (20%) plus one "contender" that wasn't performing just then, that looked to be pulling 4x their weight on the bottom line.

It's what I did next that really started driving extra profits - almost immediately. I thought, "If, through careful research, I've developed a lot of confidence in these trades, and if they are already substantially outperforming the rest of my portfolio, couldn't I magnify these results by being overweight in these positions?" So I immediately "bulked up" the total shares for each on the assumption that they would continue to outperform the rest... which they did! Two of them rose almost 40% in two weeks, with a noticeable effect on my account size.

Yes, I accepted more risk by concentrating these several stocks into relatively larger overall share totals, but they were already more than pulling their weight, and in my view would likely keep doing so. It's been over a year now, and those same stocks are showing "big green" on my statements. This is because: I was able to correctly choose the 20% which had the best "internals" to outperform the rest. When I saw this working, I added still more to help magnify (at some additional risk) their performance. And just as important, before adding a new stock pick, I started asking myself, "Is this company likely to become a "P-3" holding for me? Or will its return, in Grosskopf's words, "probably subtract from that." Which meant that I was becoming much more selective about adding any new "story" stock.

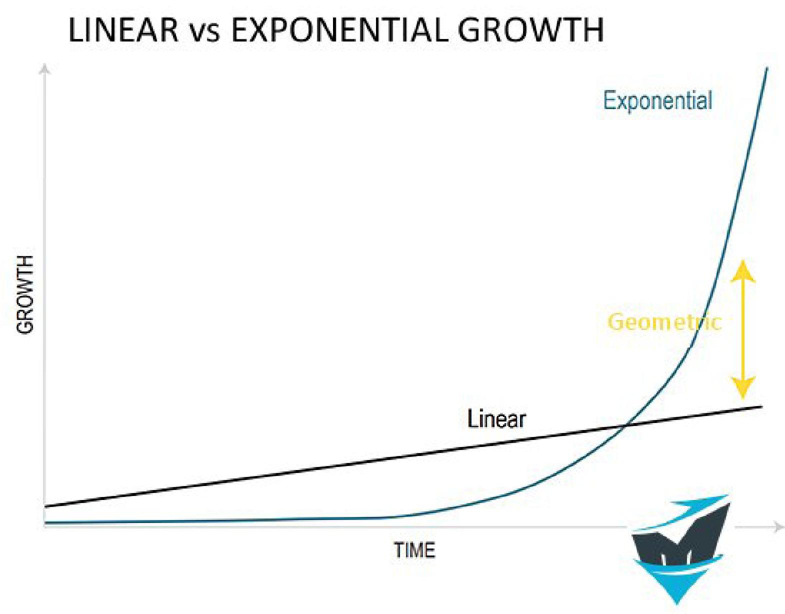
This outlook has forced me to dig deeper into a company before buying it, and I've become more conservative of adding to other stock holdings that are not showing they are likely to outperform, as opposed to simply being in "a bit 'o the green".

When setting up a Uranium campaign strategy for David Morgan's *The Morgan Report* subscribers, and deciding that since this would be a "secondary emphasis play" compared to our primary focus on gold and silver miners, I would select no more than 5 positions, being as certain as possible that one of them would likely be a "P-3" choice. It took about 8 months for uranium to start what now appears to be a new bull run. During that time, I did some buy/selling in my own account to reduce the cost basis, dropped two stocks that were underperforming, quadrupled the share size of the one which gave strong evidence that it would become the lead dog - which it has - and doubled the position size of the strong second place contender. So now, just 3 uranium stocks and some single date 2022 Cameco calls are in play for me.

And guess what? Each is in the green, but the one identified as my 20/80% stock is up 4x more than the other three! Now, while a lot of other investors are getting amped up about whether or not a new bull run is really underway, I am totally relaxed with the uranium holdings on auto-pilot, focused on 2021 as the "big move" in junior gold/silver miners, two bitcoin-related holdings and an alt-coin overachiever do their thing to keep things in play during the current DeFi-blockchain moonshot.

being aware of its great power and keeping the core concept in mind as you set up and monitor your own portfolio can help you become what Peter Grosskopf refers to as (one of) "the most successful investors in this sector." As you work your plan in 2021, see if you agree.

Subscribers to The Morgan Report get the information they need about a market whose profit potential could greatly exceed the current frustration quotient, see how long the run might



We're also putting together a similar-in-concept copper play for TMR subscribers to think about - setting up an asymmetric trade portfolio, with just a few "best of breed" stocks, looking for those one or two choices which are likely to outperform the rest by 4x, adding tranches into weakness, and avoiding margin, and not over-committing funds. This keeps us calm, centered, alert and ready to make some good money, as soon as Mr. Market agrees with us. Again, we wait for the results to let us know, not the other way around.

There's probably more than one approach and several nuances that can make Pareto Principle Positioning work for you. I am convinced that

last, and learn what building a strong risk/reward model entails. "Catch the magic" with David Morgan's free weekly report here

__David H. Smith:__ Senior Analyst, The Morgan Report; Contributor, Money Metals.com and LODE Digital Silver-Gold Project Co-Author with David Morgan of __Second Chance:__ How to Make (and Keep) Big Money from the Coming Gold and Silver Shock-Wave. He Tours/Writes about Miners globally and presents at NA Virtual and F2F Conference venues.