

WIN MEGA-BETS AGAINST STAGFLATION WITH SILVER-GOLD, COPPER, URANIUM AND ALTCOIN MINERS

By David H. Smith

Even as the metals, producers and blockchain-enabled digital miners' bull run reasserts itself, many investors will be tossed aside and forced to watch it unfold. Some will be ground down by waiting so long that they lose investable funds, or their psychological capital. Others will be cancelled out by "taking a tidy profit" during the coming initial upside impulse leg.

You can do a whole lot better. David Morgan's oft-stated silver quote, "It will do its best to either wear you out or scare you out!" is now in play. It's a likely fate if you haven't calmly and consistently carried out a solid plan, regardless of what the investment battlefield herd is doing around you.

Legendary Japanese "Sword Saint" Miyamoto Musashi entered a state of *Mizu no Kokoro* - "mind like water" - before he ever acted. With experience, you too can become both observer and actor, as everything in and around you, whether trading or waiting, is perfectly reflected.

The coming market action is going to be epic, with shocking spikes and wrenching declines...on the way to bull run tops that could exceed everyone's mental picture. How do we structure our portfolio and the way we manage it over the next few years in order to deserve a seat at the Winners' Table when the boom turns into an echo...or a bust?

What follows are suggestions on how to do that, utilizing the same subsector components representing my current holdings, along with commentary about how and why they are structured. Your "core focus"- where the majority of funds are deployed - may be different. It doesn't matter, because the key principles remain the same. And the potential reward for time spent working and applying your personal plans could - conservatively - offer gains on the scale of an order of magnitude...

At the last F2F pre-Covid conference I attended, legendary investor Rick Rule had this to say to a packed room of hungry resource sector investors, who no doubt had accounts from \$10k to

multiple millions of dollars. Referring to everyone in the room, he said:

"An audience like this, who already is interested in natural resources, living in Vancouver, an epicenter of junior resource equities, has no excuse not to become a millionaire in the upcoming bull market."

MY APPROACH:

- 1 Decide on the primary focus of your holdings.** Devote this portion (the majority of your account's currency?) to fund the core. For my core gold, it's the Newfoundland Area - which I have written about this year for The Prospector News (without compensation), and, since late 2019, for The Morgan Report. My core silver holdings zero in on "best of breed" Mexican Junior producers and gold explorers, along with two Canadian plays.
- 2 Don't saturate your portfolio** with too many positions. No One can keep track of 50 to 100 stocks. Dilution via excessive holdings means that even your best choice may not help the bottom line much, since you couldn't build a large enough position to "move the needle".
- 3 Choose some subsector "satellite" plays.** In each, limit the number of stocks. My "satellite plays" are Copper, Uranium, blockchain-enabled altcoin miners - and one or two oil plays. Downplay "substitution risk" metals like, cobalt, indium, and yes, even lithium.
- 4 Enable "Pareto Principle Positioning"** a phrase I coined after listening to Sprott's Peter Grosskopf speak about how the most successful investors he's observed have structured their holdings in tune with Pareto's



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20/80 rule. Make sure that your heavily-researched “top dogs” have strong potential to become great hunter-retrievers.

My current Core (over-weighted \$ position) contains a Canadian gold explorer, two digital miners, an altcoin ETF, and an evolving 6G satellite company. In the subsectors reside 3 core “PPP” uranium plays and a trader; two MX gold-silver producers, and one U.S. copper-gold explorer. This last play fits Pierre Lassonde’s copper metrics qualifications to a “T”. It’s a big high-grade long life, relatively near-to-production, 70-30% Cu-Au, low country risk project. And it’s closely aligned with a major. Talk about lining up your ducks!

- 5 **“There is a tide in the affairs of men...”** Decentralized Finance (DeFi), enabled by the blockchain, is a massive paradigm-shift sea change that will wash away or strand those who don’t seek to understand and have some involvement in it. Many of the plays are so asymmetric that just a few hundred dollars “spread around” in each of a half dozen researched choices holds the potential - by themselves - to carry intrepid investors to the next level. Digital miners can trade as a stock; exist as a full/fractional Bitcoin or Ethereum. Altcoins can be held within an ETF, or on a multi-billion \$ cap exchange like Coinbase. 5%+ interest can be earned on balances; and a Visa card can give back rewards in bitcoin. DeFi is hollowing out traditional banking, money transfers and financial contract services as we speak.



Governments around the world openly declare that they



“Omitted, all the voyage of their life is bound in shallows and miseries...” “This is the first time (in financial history) when the average individual gets the chance to front-run the big institutions.” - Raoul Pal.

- 6 **Consider planning to “leg out” of your subsector positions**, into strength, well into the “boom”, and forget about playing the “echo” (Marin Katusa). View all subsector profits as “found money” that is either withdrawn from the account or used to “overload” your best-performing core holdings before the secular bull gets too long on the tooth.
- 7 **Develop an exit plan for your entire resource sector holdings.** To avoid “doing a palladium” as it went 3x after everyone got out at “the top”, transition a certain percentage of your highest-confidence plays into an “STP”

- Sacrifice Throw Portfolio - as described in considerable detail in David Morgan’s and my co-authored; *Second Chance : How to Make and Keep Big Money from the Coming Gold and Silver Shock-Wave* Study the considerations you must accept before deciding to do this.

intend to devalue your currency’s purchasing power. As Stagflation on Steroids, fed by debt-soaked economies accelerates, those who are aware, followed by the rest, will respond early and aggressively to Covid-induced shipping pattern lock-ups, a demand-driven/supply-deficient resource sector metric, and a green mania stampede out of fossil fuels. This toxic mix has set a match to the Stagflation-driven scenario whose potential for financial destruction has yet to be quantified.

Lest you naively trust the Fed’s mantra that inflation, while being allowed to “run hot” will nevertheless be “transitory”, recall the instructive words of the late Ronald Regan:

“Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hit man.”

Don’t get “taken out” financially by failing to prepare and execute your plan, or get caught standing like the proverbial deer in the headlights when the Grim Reaper comes for you.

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