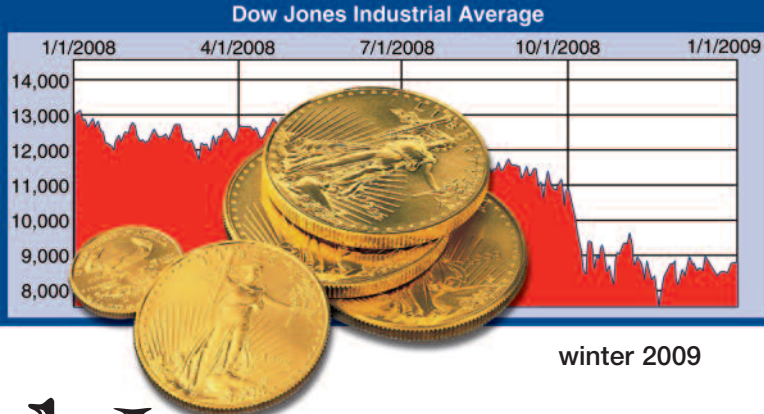




FIDELITRADE
INCORPORATED

America's Premier Precious Metals Investment ResourceSM

Presents...



The Refined Investor

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FideliTrade Incorporated[®] is a full-service precious metals company specializing in the sales, trading, custody, and delivery of precious metals bullion products for individual, commercial, and institutional clients worldwide.

Gold Prevails in a Rough and Tumble Year

By Tony J. Anzalone, CFA

A lot has changed since my last newsletter. Historically, we would probably have to look back to the late 70's to find this many market influences wildly in play. As I put *pen to paper*, \$5.2 trillion has been lost in the equity market¹, financial powerhouses like Bear Stearns, and Lehman, have failed, and “we the taxpayer,” now own a part of the banking system. Alexander Hamilton is rolling in his grave as we speak². One of the bright spots this year was the performance of gold.

Performance

Gold's “end of year” rally saved what would have been a disappointing finish. In September, along with every other asset class, gold was poised to finish the year on a sour note. Late summer strengthening of the dollar and the collapse of oil put a damper on the buying we saw earlier in the year. Also, massive liquidations by institutional investors and hedge funds added to the selling. In all, the gold price as of October 31st was sitting around \$718/oz, down about 14.3% “year to date.” However, the fundamentals shifted once again in gold's favor and as the table explains below, gold's performance at year-end greatly exceeded that of any other key equity investment alternative.

Gold Performance Relative to Equity Indices

As of December 31, 2008

Asset Class	Price ³	Month	Quarter	1 Year	3 Year	5 Year	10 Year
Gold	884.30	8.34	1.16	5.53	19.44	16.27	11.83
S&P 500	903.25	0.78	-22.45	-38.49	-10.22	-4.07	-3.03
Russell 2000	2169.65	5.80	-26.12	-33.79	-8.28	-0.93	3.02
EAFE	3645.94	6.02	-19.90	-43.06	-6.92	2.10	1.18

Gold enjoyed another strong finish markedly beating the S&P 500 for the 4th year in a row. Although slightly underperforming relative to the S&P 500 in 2003 & 2004, gold maintains a 17% average outperformance of this index since the year 2000.

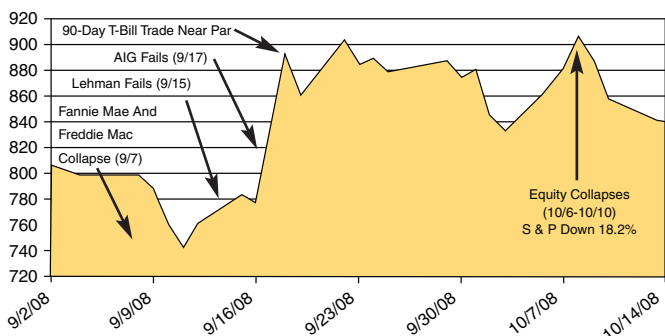
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The Financial Meltdown

A break in gold's ascension mid-year was due to the prospect of an economic slowdown. Gold's momentum stalled in mid-March after the Bear Stearns acquisition. This acquisition sent shockwaves around the world as it became apparent that the economic problems were of a larger scale than originally thought. The prospect of a global economic slowdown, offset by a falling dollar and rising oil, left gold directionless. This period ended by mid-summer as oil and the dollar reversed course. Oil, after reaching a high of \$147.27/bbl on July 11th, began its rapid decent. The dollar finally found its footing on July 15th, resulting in a similar march to new levels, both to the detriment to the price of gold.

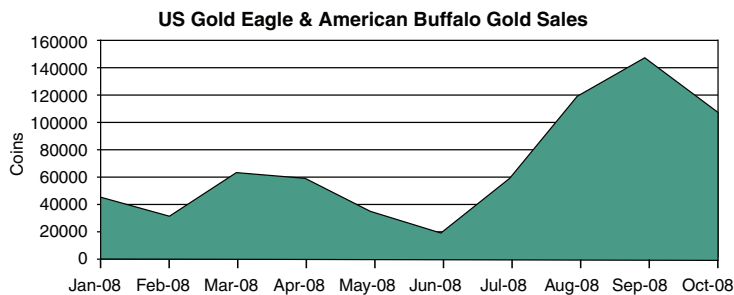
As the two primary drivers propelling gold's rise earlier in the year deteriorated, a new course soon appeared. As the graph details below, a string of massive failures and government takeovers in the financial sector began to unfold, and the classic "flight to safety" scenario materialized. This pushed gold from around \$760/oz to over \$900.

Gold & The Financial Crisis



Physical Squeeze

As the financial crisis unfolded, the shift away from paper assets to tangible assets such as gold was widespread. By mid-2008, investors from around the world found extremely limited supplies of bullion coins and small bars. Here in the US, the sale of American Eagle and Buffalo coins rose 169% through October. Sales stopped in the 4th quarter as the mint depleted all available inventories.



As the global economic conditions continued to deteriorate, large institutions such as hedge funds, deeply leveraged in equities and fixed income securities, were forced to meet margin calls and redemption requests. This prompted the massive liquidation of many assets in their portfolio including treasuries and gold. Downside pressure from these institutional liquidations mostly negated the bullish momentum inspired by the supply shortages.

This condition created an interesting disparity within the gold market. Buyers, fleeing from paper assets to the safety of gold bullion, are viewed as long term holders. As such, most of the existing inventories of coins and small bars continue to be depleted. Sellers, on the other hand, liquidated their gold positions during last fall's market collapse mainly to satisfy their immediate need for cash rather than a tactical shift in their investment view of gold. This leads us to believe this is short term positioning.

Looking ahead, 2009 appears poised for a continuation of the very same aspects that affected gold in 2008. Global economic and political unrest are at the forefront, volatility in oil and the dollar, and lackluster performance of the equity markets are all expected. If this scenario unfolds, gold should have another respectable year.

¹As measured by S&P 500 year to date.

²In 1790, Hamilton (the first treasury secretary) enacted the very first legislation to combat the excessive debt that the county acquired during the revolutionary war.

³All performance calculated using geometrically linked monthly returns series. S&P 500 returns calculated using price only returns, all other equity returns were calculated using gross returns.

Precious Metals Factoid

In every cubic mile of sea water there are 25 tons of gold! That's a total of about 10 billion tons of gold in the oceans; however, there's no known way to economically recover it.

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GOLD 903.30 ▲ 27.50 SIL 13.75 ▲ .64 PLAT 967.00 ▲ 4.80 PALLADIUM 195.40 ▲ 1.25

Notes from the Trade Desk...

- 2009 Gold and Silver Eagles are now available! Gold Eagles are only available in 1 ounce size. The U.S. Mint is not currently producing the fractional sizes.
- FideliTrade, along with the rest of the precious metals industry, is now trading ISO 9001 acceptable brands. Some of these brands include Academy Precious Metals, Wolverine Technologies, Ohio Precious Metals and Pyromet. Please visit our website fidelitrade.com for more information on ISO 9001.