

# FIDELITRADE INCORPORATED

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Presents...



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# The Refined Investor

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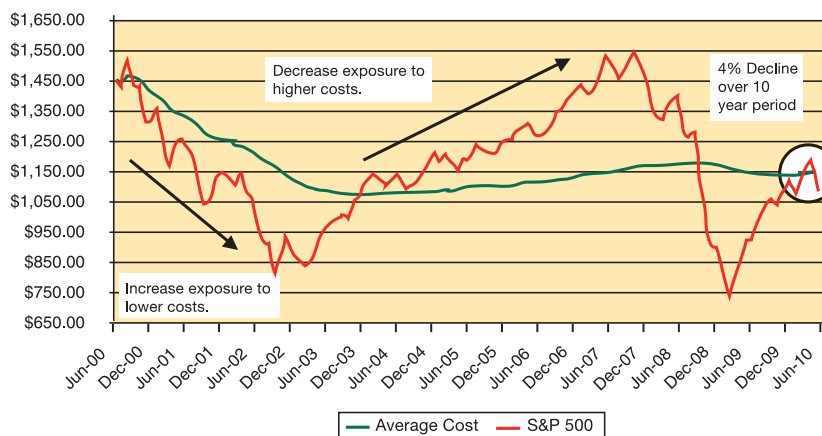
FidelityTrade Incorporated<sup>®</sup> is a full-service precious metals company specializing in the sales, trading, custody, and delivery of precious metals bullion products for individual, commercial, and institutional clients worldwide.

## Accumulation Plans: The Cure to Investment Uncertainty and Anxiety

By Tony J. Anzalone, CFA

Some of the best investment strategies are those which you never think about. Taking emotion out of investment decision making is difficult during volatile markets but a necessary component to successful investing. With markets that fluctuate wildly each day, it's easy to be pulled into the pack mentality of panic or euphoria. Investors feel the emotional need to invest when the markets are screaming up and to sell when they fall. Somehow it is comforting to know that you invested in something that is up 12% this month, even though you grabbed only 2% of that rise.

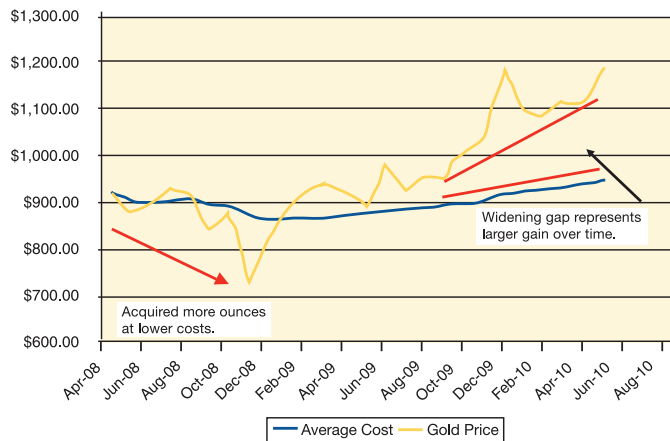
For four consecutive years from 1996 to 1999, the S&P 500 annualized return exceeded 20%. How many were caught up in the momentum of buying in the late 90's only to see it decimated 10 years later? In fact, if you bought "all in" in January 2000, you lost 26% of that investment by today. What if instead you had invested a fraction of that total each month? Your total loss would only be 4%. Considering the wild ride that we have all been through over the last decade, that is a win. That is the power of Dollar Cost Averaging<sup>1</sup>.



<sup>1</sup>Dollar Cost Averaging is an investment technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. Eventually, the average cost per unit will become smaller and smaller. This lessens the risk of investing a large amount in a single investment at the wrong time.

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As gold breaks \$1,200/oz it is easy to question whether now is a good time to invest either for the first time or add to an existing position. With a variety of economic, political, and even environmental issues facing the global landscape, there are strong arguments in favor of gold. However, gold's 3-year annualized return is still around 22% and vulnerable to profit taking. One could argue that its time for a pull-back.

An accumulation program such as Fidelity's Accumulation Program<sup>2</sup> may be worth considering. First, it takes the big question of timing off the table. Second, if the market drops, you will begin the process of lowering your overall cost as you continue to accumulate. Third, if the market rises, your gain will probably not be as high as with buying lump sum or all-in, but your lower gain comes with a lot less anxiety of what the market will do next week, next month, or next year.

Let us say that after breaking \$1,000 per ounce in March of 2008, you decided to invest one lump sum in gold. If you did so, you would be "patting

yourself on the back" as you would have made 32% on your investment. There were some volatile moments that tested your nerve during that period, but you "stuck to your guns" and did well.

Now let's say that instead of investing one lump sum back in early 2008, you were unsure of the timing of your purchase or if gold could hold above \$1,000 in the near term. So you decided to initiate an accumulation plan instead. A monthly accumulation of gold during that same period would have taken advantage of the short term drops in price that occurred from April to October of that year. This would have lowered your overall cost as you would have accumulated more ounces. Your investment would have resulted in a 28% gain. That's 4% less return with far less anxiety.<sup>3</sup>

It is a reasonable assumption that the volatility that we see today across all markets will likely continue for the foreseeable future. With volatility comes uncertainty on what to do. Whether to buy, hold, or sell, your investment temperament gets put to the test. Data supports a simple fact: investors are generally terrible at market timing. An accumulation plan helps during these times because so many things can work in your favor. If the market goes up, you win. If the market goes down, you lower your cost. Volatility works for you instead of against you and over time, you'll be "patting yourself on the back".

<sup>2</sup>The FidelityTrade Accumulation Plan is designed to offer the ultimate in convenience for those who want to create their own personalized investment plan and build a precious metals portfolio steadily over time.

<sup>3</sup>Please note: A long term investment horizon is necessary in order to take advantage of the full benefits of any accumulation plan.

## Precious Metals Factoid

Gold is a dense metal with a density of 19.32 g/cm<sup>3</sup> which gives it an atomic weight of 196.9665 g/atom. This means that a liter of gold weighs 19.3 kg, which is approximately 20 times heavier than water.

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GOLD \$1,237.50 ▲ \$18.50 SIL \$18.43 ▲ \$0.64 PLAT \$1,571 ▲ \$9.50 PALLADIUM \$ 445.50 ▲ \$3.30

## Notes from the Trade Desk...

FidelityTrade is waiving Administration Fees for the period 1 year (2 billing cycles) for all customers who enroll in the Accumulation Plan before August 31st. This will be a savings of at least \$35. Terms and conditions apply – please call 800-223-1080 or visit [www.fidelitytrade.com](http://www.fidelitytrade.com) for details.

2010 American Gold Eagle fractional coins are now available at FidelityTrade. Call 800-223-1080 or visit [www.fidelitytrade.com](http://www.fidelitytrade.com) for more information.