



FIDELITRADE
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America's Premier Precious Metals Investment ResourceSM

Presents...



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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.

Precious Metals As Investments Common Myths Dispelled

Without question, the financial and geopolitical uncertainties that have become an inescapable part of our world these past several years, have thrust precious metals prominently back into the media limelight. However, many market commentators don't appreciate the value of holding a precious metals component in one's investment portfolio, and they may be totally uninformed about the practical aspects of owning physical precious metal products. When discussing such topics as the cost of ownership (storage and insurance), ease of sale (liquidity), and excessive price movement (volatility), they frequently recite

the inaccurate detractors that seem to have become accepted as conventional wisdom among many well-intentioned market commentators. We thought it would be useful to our readers, to review these myths one-by-one, and explore their validity.

The Myth List...

1. **Precious metals are illiquid.** – This is an invalid statement. Many financial experts believe this simply because they don't know where precious metals can be bought and sold (at FideliTrade, for instance), or that, unlike most stocks and

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The Precious Metals Industry - The Wholesalers

[This is the third in our series of five articles intended to provide readers of The Refined Investor with an overview of the precious metals industry – how it works and who the players are. Our first two installments covered the mining companies and the refiners.]

Part III: The Wholesalers

Precious metals that are extracted by the miners from mother earth, and then converted by the refiners into forms useful for industrial application and investment, need ultimately to reach the marketplace. How does that happen? As with most supply chains, there are "middlemen" who buy precious metal from the producers (miners and refiners), and sell to the users, such as industrial consumers

who manufacture components for consumer products (digital cameras, for instance), or brokers who sell investments to the general public. These middlemen are *the wholesalers*.

In the world of precious metals, a wholesaler is a trading operation, which may be a single-purpose commodity trading company, or an operating division of a commercial entity, such as an investment/commercial bank, a brokerage company, or even the refiner itself. Their purpose is to "make markets," that is, they stand ready to buy and sell precious metals in all forms and thereby provide the liquidity the market needs to function.

For example, there are the large, highly-capitalized first tier wholesalers (Union Bank of Switzerland, HSBC Bank, Goldman Sachs,

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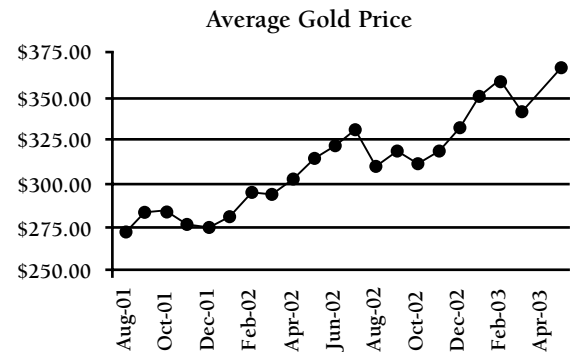
bonds, precious metals trade around the clock, around the world each business day. In fact, precious metals are among the most liquid assets anywhere.

2. **Precious metals prices are too unpredictable and volatile.** – This is truly a myth. A price chart for the past five years comparing values of many traditional indices, such as the S & P 500, individual “blue chip” stocks, and hundreds of “high tech” issues, shows gold to be among the most stable investments for that period. In fact, the gold price has appreciated some 15%–20% during each of the past two years, while some companies touted widely as “must have” investments in the past (Lucent, Enron and WorldCom come to mind), have either gone into bankruptcy, or ceased to exist entirely.
3. **There are costs associated with owning precious metals.** – Yes, there are, but there are also costs associated with owning mutual funds, brokerage accounts and IRAs. Typically, a precious metals investor writes a check to pay the fee for storage and insurance. However, the cost of the mutual fund, brokerage account, etc., is normally charged to the account itself, or deducted from the gross proceeds before they are credited to the investor’s account. There is a cost associated with all investments; but many times, the account owners don’t see it.
4. **Precious metals do not yield dividend or interest income.** – This, too, is true, but neither do thousands of growth stocks, your house or a variety of other asset classes that are frequently held simply for their price appreciation. Thus, in this respect, precious metals do not differ from many other traditional forms of investments.
5. **Central banks hold large quantities of gold and can flood the market to drive down prices.** – This is an overstated concern. The media are always quick to report when a central bank sells gold. It is often not reported that the buyer is another central bank. The gold market is so large (1000 metric tons each day), it can easily absorb the amount being sold. Usually, it is the psychological impact of the news reports that often causes investors to unload their gold, which causes the price to fall more extremely; it is not the market’s inability to absorb the central bank gold being sold.

Indeed, only two of the statements above are actually true, but they should not be viewed as reasons to avoid precious metals investments. The statements apply equally to a host of other asset classes investors traditionally hold for diversification purposes. In fact, because their values tend to move counter-cyclically to those of stocks and bonds, precious metals are considered by many experts to be among the very best of investment diversifiers.

etc.) who buy processed bullion from the largest mining and refining companies, and sell it in consumable forms to the world’s largest industrial giants (e.g., Kodak, Dupont, General Motors, etc.), or as investment products to investment banks and major securities firms. More moderately capitalized second tier trading companies, such as FidelityTrade, buy bullion from the top tier companies to make markets for smaller industrial concerns like electronic parts and medical device manufacturers, as well as regional brokerage firms and banks. Finally, small third tier wholesalers may trade only with local coin dealers and retail outlets, which sell their wares to the public. To be sure, many wholesalers also sell directly to the investing public. For example, FidelityTrade operates the Refined Investments Program for individual precious metal investors.

In sum, these market makers provide the economic liquidity that facilitates the flow of raw ore from deep beneath the ground to ultimately form such things as the catalytic converters in our cars and the circuitry energizing our cell phones. In this light, one can appreciate that the precious metals wholesalers are indeed an integral and important part of America’s free enterprise process.



“Food For Thought From FidelityTrade” – \$850 Per Ounce: Gold’s All Time High Price?

In citing gold’s historically high price of \$850 per ounce as the standard against which reporters typically assess its long-term performance, they succumb to what is, apparently, an irresistible temptation to ignore all but a single moment in the most recent thirty years of gold’s price history. In fact, the gold price level of \$850 was reached for only a very brief time on January 21, 1980. Perhaps only one, and certainly no more than a very few investors, did or could trade gold at the \$850 price that day. A better comparison of gold’s price performance is against the average gold price of for the entire month of January 1980, which was \$612.50, some 28% below the \$850 price level that today’s gold price is so frequently compared to.

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SIL 4.84 ▲ 0.22 GOLD 346.20 ▲ 5.00 PLAT 606.50 ▲ 2.10 SIL 4.84 ▲ 0.22 GOLD

Notes from Our Trade Desk... GOLD 346.20 ▲ 5.00 PLAT 606.50

- FidelityTrade has changed its standard shipping method from the United States Postal Service to Federal Express 3-day service. This change lowers shipping costs, speeds delivery and improves overall service. FidelityTrade will continue to use the United States Postal Service for P.O. Boxes and upon special request.
- Once again, FidelityTrade is offering FREE commission on Group Ownership purchases over \$5,000.