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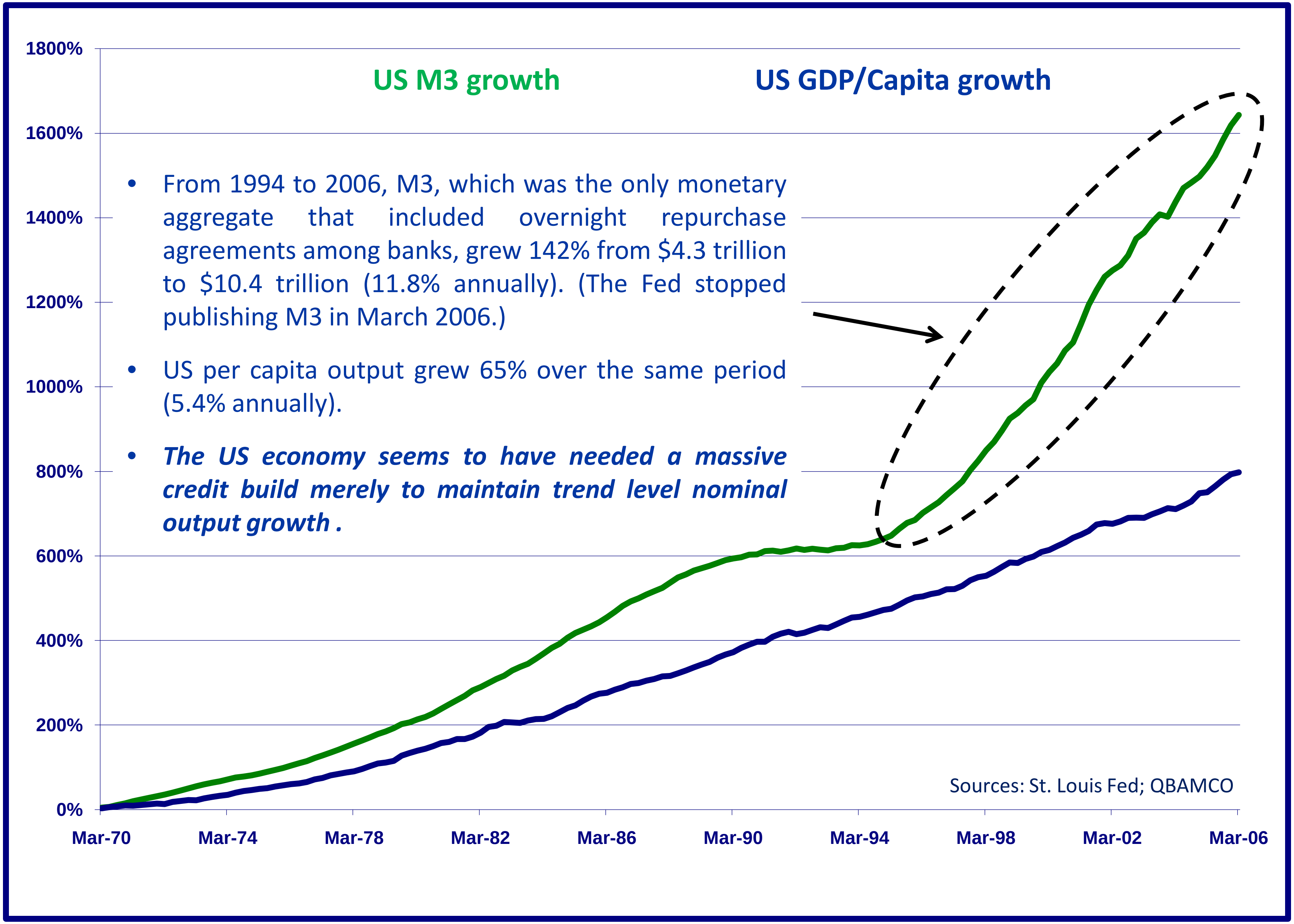
QBAMCO

BCA Investment Conference

The Plaza Hotel, New York

October 25, 2010



- From 1994 to 2006, M3, which was the only monetary aggregate that included overnight repurchase agreements among banks, grew 142% from $4.3 trillion to $10.4 trillion (11.8% annually). (The Fed stopped publishing M3 in March 2006.)
- US per capita output grew 65% over the same period (5.4% annually).
- ***The US economy seems to have needed a massive credit build merely to maintain trend level nominal output growth .***

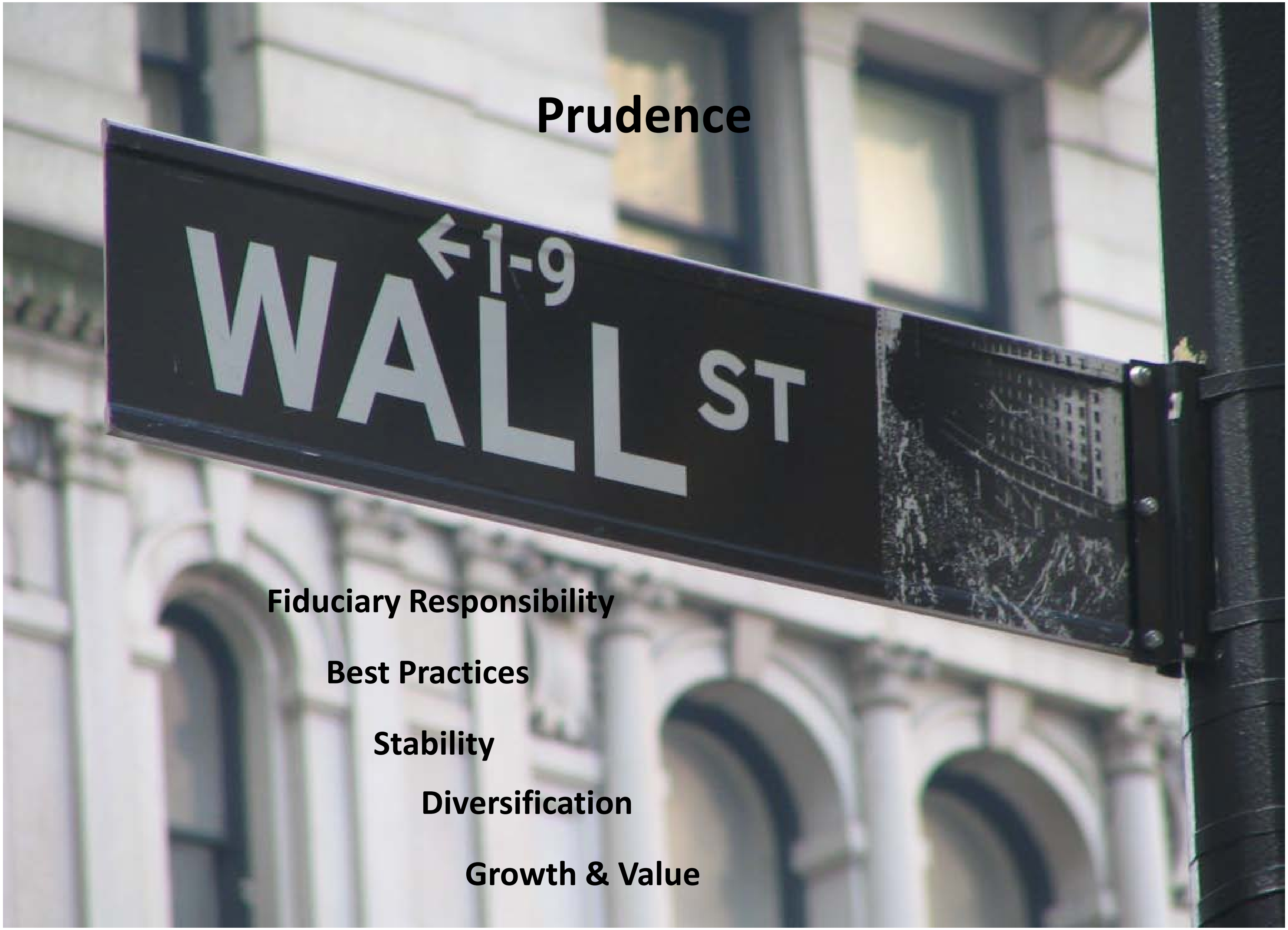
	1994	2006	2010	Increase (2006 – 2010)	Ratio to Monetary Base
USD Monetary Base	$431	$842	$1,972	+134.2%	
Total Public Debt Outstanding (Treasury)	$4,692	$8,507	$13,562	+59.4%	6.9 : 1
US GDP	$7,248	$13,612	$14,651*	7.6%	
Outstanding USD-denominated Claims*			$70,000 *		35.5 : 1

QB Asset Management Company, LLC. All figures are in billions and are as of September in respective years. GDP Increase assumes 2010 3Q 2% annualized increase.
Sources: USD Monetary Base - St. Louis Fed (www.research.stlouisfed.org/fred2/series/BASE/downloaddata?cid=124); Total Public Debt Outstanding -TreasuryDirect (www.treasurydirect.gov/NP/NPGateway); USD GDP - St. Louis Fed (www.research.stlouisfed.org/fred2/series/BASE/downloaddata?cid=124); Outstanding USD-denominated Claims have been estimated and includes all public and private sector debt outstanding (Treasury, mortgage, auto, consumer, corporate, state, and municipal debt, as well as unfunded federal obligations in current dollars.

The broad US economy must de-lever and it can do so in only two ways:

1. Allow credit deflation to occur naturally
2. Inflate the monetary base

Prudence



Fiduciary Responsibility

Best Practices

Stability

Diversification

Growth & Value

Fat Tails

Popular Trends

Correlations

Efficient Markets

Beta

Liquidity

Inertia

Nominal Alpha

Mandates

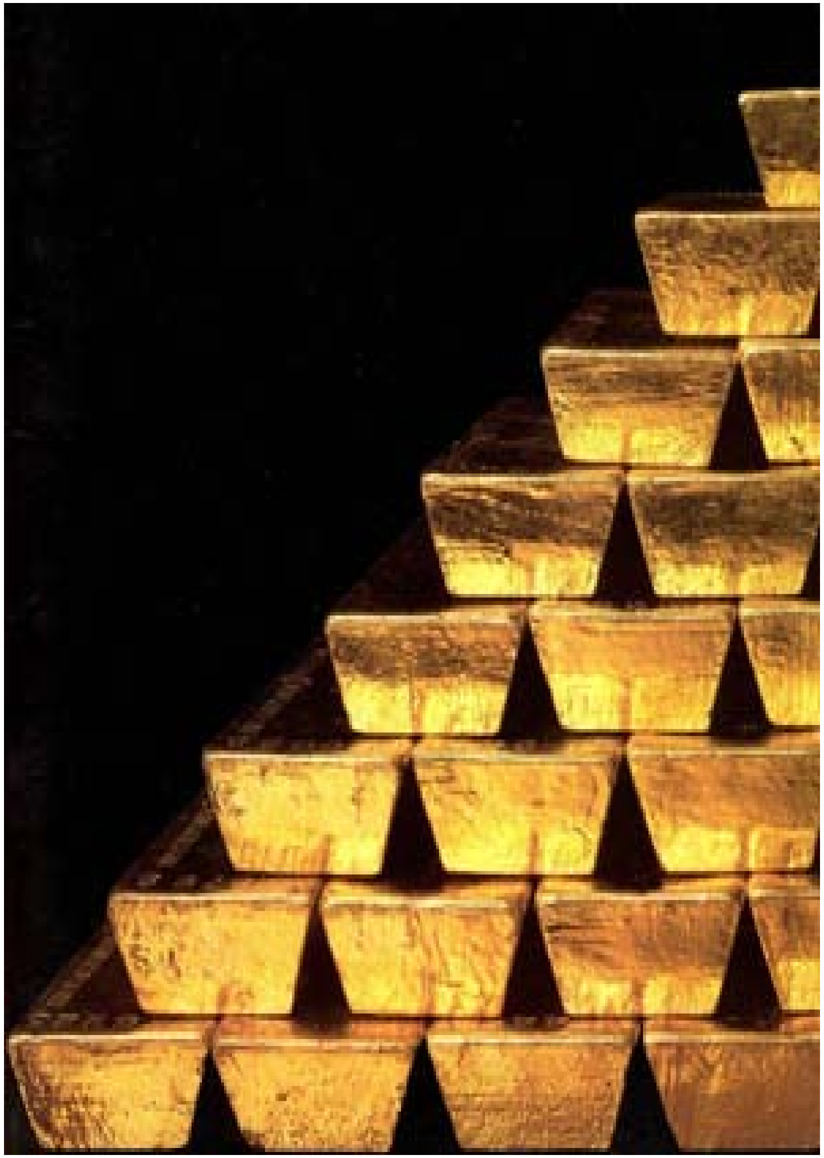
Relative Returns

Diversification

Risk Controls

Carry Trades


Whack-A-Mole
YEN
EURO
GBP
AUD
USD
CHF
CAD
BRL
YUAN
hit: 6
time: 0:16



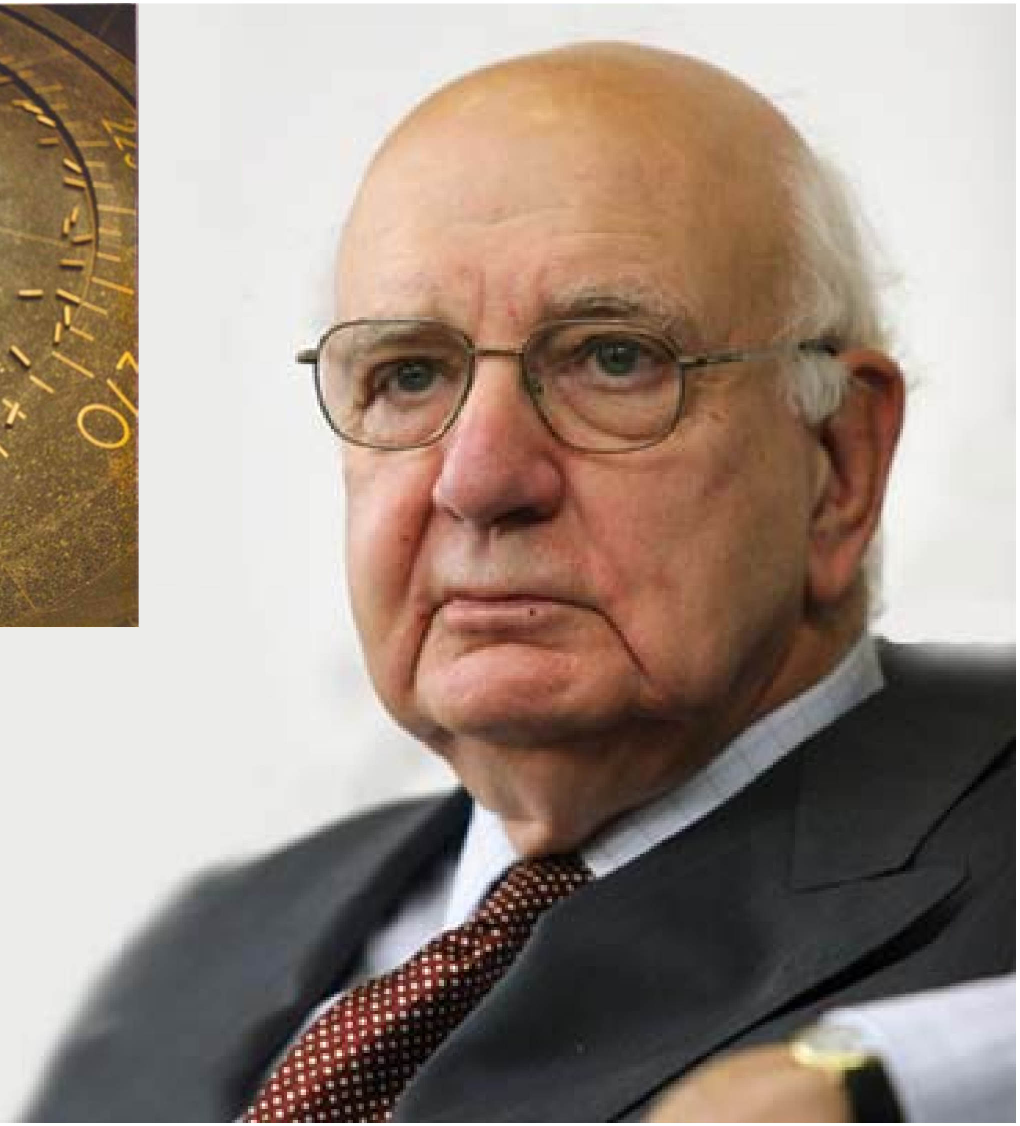
- Gold's only value is as a currency that competes with Dollars, Euros, Yen, Yuan, etc.
- Gold is a more stable currency than fiat currencies over long stretches of time because it is scarcer; annual demand for gold exceeds its production, which is not the case with paper money when it inevitably has to be manufactured to pay off debt from unreserved credit.
- In fiat currency regimes, gold underperforms "risk" assets during periods of expanding leverage and outperforms during periods of deleveraging. (Under gold standards, this would be axiomatic.)

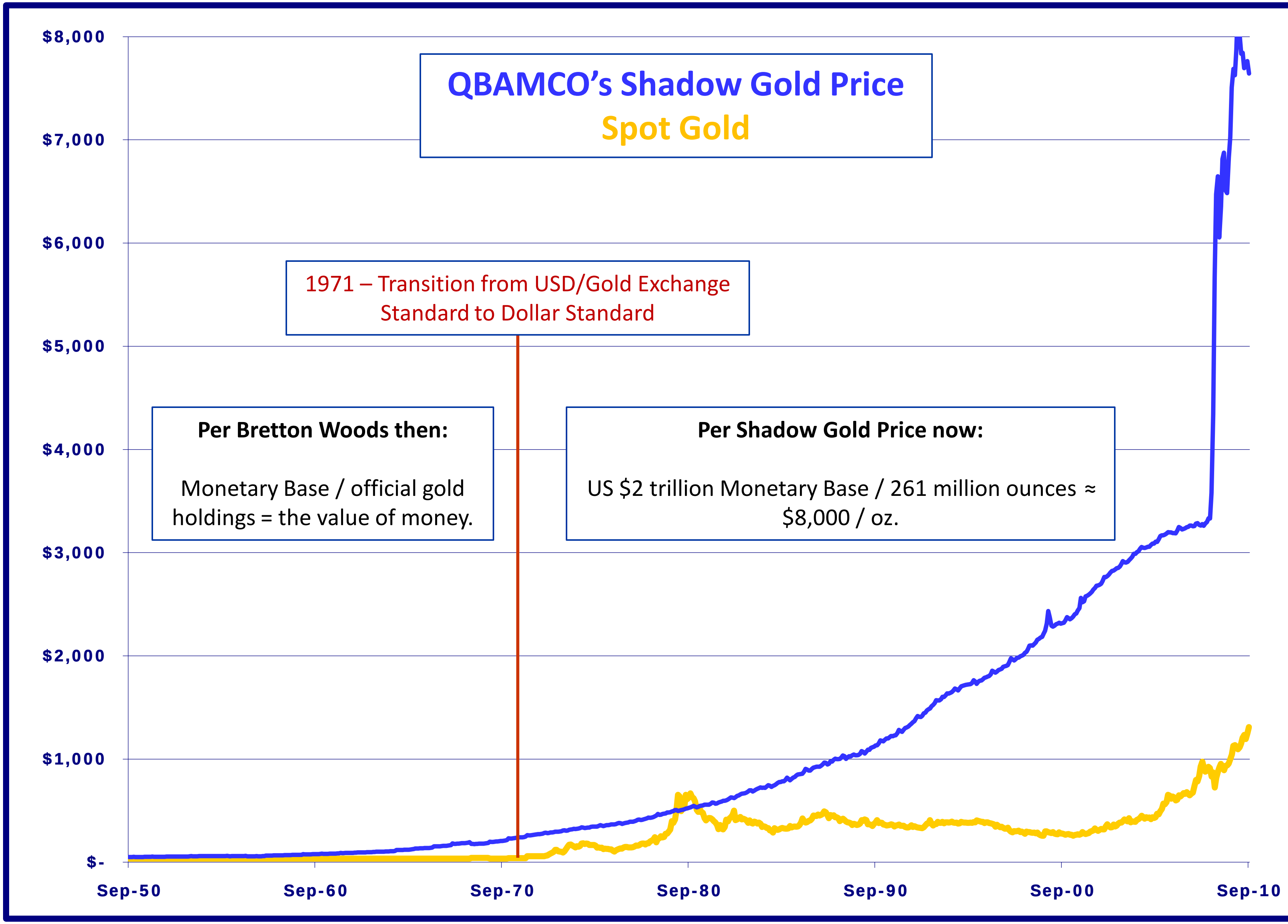
- Under a fiat currency regime in which central banks are presumed to be lenders of last resort (or monetizers of assets if efforts to lend fail via the classic “liquidity trap”), the spectrum of “risk” flows as follows (less risky to the left, more risky to the right): Gold => Fiat Currency => Risk Assets.

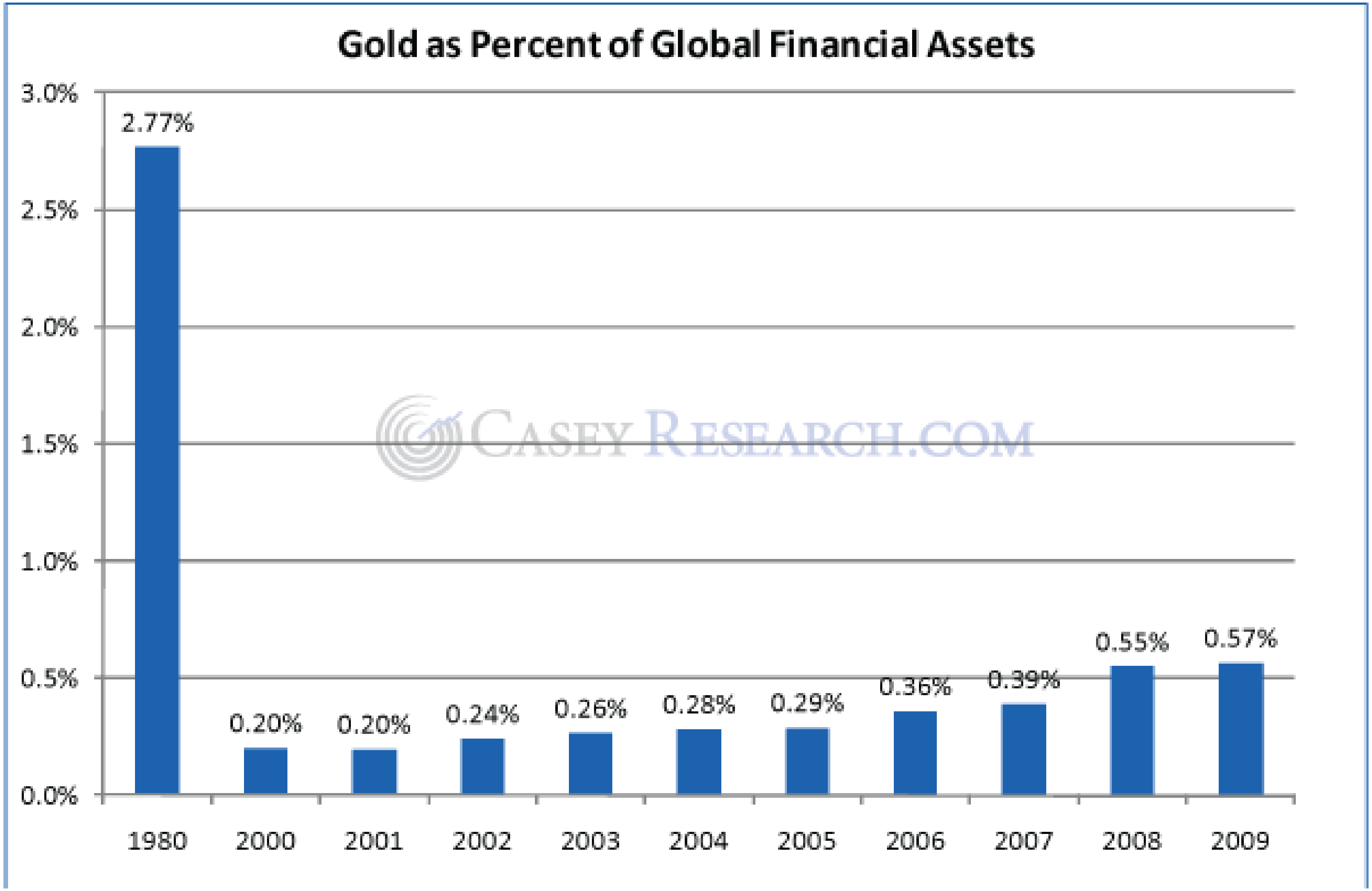
- Rising gold prices are currently projecting and discounting necessary financial system deleveraging via an ongoing and aggressive expansion of the global monetary base. They are not predicting rising or falling goods and service prices per se.

Systemic deleveraging can occur in two ways: 1) organic *nominal* debt deleveraging, which wipes out lenders (banking system and bond holders) in nominal terms or, 2) central bank administered debt deleveraging via the dramatic expansion of money, which wipes out lenders in real terms. Gold's performance is positively correlated to the latter.

The top priority of US economic policy makers across the political spectrum since 1971 has been to maintain the hegemony of the dollar-based global monetary system, which allowed the US to manage global pricing and resource distribution. To do this, policy makers have had to marginalize the one competing currency capable of displacing it: gold.




QBAMCO's Shadow Gold Price
Spot Gold
1971 – Transition from USD/Gold Exchange Standard to Dollar Standard
Per Bretton Woods then:
Monetary Base / official gold holdings = the value of money.
Per Shadow Gold Price now:
US $2 trillion Monetary Base / 261 million ounces ≈ $8,000 / oz.
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$-
Sep-50
Sep-60
Sep-70
Sep-80
Sep-90
Sep-00
Sep-10


Gold as Percent of Global Financial Assets
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
2.77%
0.20%
0.20%
0.24%
0.26%
0.28%
0.29%
0.36%
0.39%
0.55%
0.57%
1980
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
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