the

GLOSSARY OF TERMS

PHRASES AND TERMINOLOGY COMMONLY USED IN THE WORLD OF PRECIOUS METAL INVESTMENTS.

BMG

This glossary focuses on phrases and terminology commonly used in the world of precious metal investments. It is not meant to be an all-encompassing dictionary, but rather a tool to enhance understanding of precious metal investments. While we exercised great care in compiling this glossary we cannot guarantee accuracy or completeness.

GLOSSARY OF TERMS

A

ALLOCATED GOLD
Specific bars held on behalf of the owner usually by a Bank. Allocated bars may not be lent into the market as part of the holding Bank's general pool of metal or used in any way without the knowledge and consent of the owner. Contrast unallocated.

ALLOCATED STORAGE
Bars held in Allocated Storage are separated and individually identified bars held for the account holder. Bars are identified by the refiner, assay or fineness, serial number and gross and fine weight. The account holder has full title and ownership of the bars and except as instructed by the account holder the custodian may not trade, lease or lend the bars.

ALLUVIAL GOLD
Gold found in its native form specifically in association with the fluvial activity and river systems.

APPROVED REFINER
A listed refiner whose bars are accepted as good delivery by the spot market or by the Exchanges. See good delivery.

ASSAY
1. A test to determine the precious metal content of a particular specimen. There are several types of assay test of varying accuracy including: deformation test, acid test, specific gravity test, x-ray test, and full melt assay. The only method that is 100% reliable is the full melt assay.

2. When used in reference to mining exploration, "assay" means a test to determine the grams of the target metal per tonne of ore in a given ore sample.

B

BACKWARDATION
A market situation where the spot price trades at a premium to the forward price. Opposite of contango. Unlike the base metals, the price of gold rarely lapses into backwardation although this did occur briefly on November 28 1995 in the near month only.

BEAR / BEARISH
Favouring a negative view of future price movements (opposite of bullish).

BEARER INSTRUMENT
A certificate of liability of a deposit institution payable in the specified asset on demand to the bearer of the certificate. Paper currency (cash) is the most common example of a bearer instrument. Bearer instruments can be digitized, in which case they are called electronic cash. Bearer instruments can be transferred anonymously and do not rely on government to enforce the transaction and therefore have much lower transaction costs than book entry accounting transactions. Bearer instruments can be used to represent money (currency) as well as stocks (bearer shares) and bonds (bearer bonds) and even derivatives.

BETA
An investment measure of price volatility relative to other, competing, investments; in other words the measure of one commodity's performance against others.

BIMETALLISM (FIXED)
A political monetary system in which both gold and silver circulate as official money and where the price of silver is pegged to gold at a constant ratio. Fixed bimetallism inexorably leads to either gold or silver disappearing from circulation due to changes in the supply and demand not reflected in the official ratio.

BIS
Bank for International Settlements established in 1930 as the Central Banker to the Official Sector. Based in Basel, Switzerland and holds 200 tonnes of gold for its own account.

BLACK AND SCHOLES
Two mathematicians (Fischer Black and Myron Scholes) who, in 1973, pioneered option pricing theory in general and not specific to gold.

BOND
Any interest-bearing or discounted government or corporate security that obligates the issuer to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount of the loan at maturity. Bondholders have an IOU from the issuer, but no corporate ownership privileges, as stockholders do.

BREAK-OUT
A technical chart development during which the gold price suddenly breaks through levels of known or expected resistance.

BULL / BULLISH
Favouring a positive view of future price movements (opposite of bearish).

BULLION
Originally a verb meaning to refine or melt precious metals including gold. Today refers to gold e.g. "bullion trading" or "bullion coins and bars". Bullion is specifically defined as "precious metal in a cast form with purity of 99.5 or higher".

BY-PRODUCT GOLD
Gold mined and produced as a consequence of mining other metals, normally copper but also lead and zinc. Gold, and often silver, produced in this way, greatly enhances the profitability of a base metal mining operation offering substantial by-product metal credits.

C

CBOT
The Chicago Board of Trade

CARAT
The purity of gold measured in parts per 1,000. Karat in the US. Originally derived from the weight of the Carat Seed, a plant that has seeds of amazingly uniform weight.

CFTC
Commodity Futures Trading Commission, the futures and options regulatory body in the US.

CHAIN OF INTEGRITY
A locally recognized chain of custody among trusted trading partners where bullion bars are accepted at face value without an assay test. COMEX rules specify an official "chain of integrity" for COMEX GOLD contracts. The London Bullion Market Association maintains a "Good Delivery List" of member refineries that meet certain membership requirements and have passed assay tests. Bullion products from these refineries will generally be accepted by other members of the LBMA on face value without further assay testing. However, the LBMA's chain of integrity is purely informal. When purchasing bullion products, the face value can generally be accepted if the product can be shown to have remained in the custody of a certified bullion repository since its manufacture at an acceptable refinery.

CME
Chicago Mercantile Exchange.

COMEX
The Commodity Exchange in New York established in 1933. Gold futures contract launched on December 31, 1974.

COMMEMORATIVE COINS
Gold coins minted to honour a particular historical occasion. These coins in general are not legal tender, although there have been exceptions. The coins usually sell at a premium over the gold content.

CONTANGO
A market situation where the spot price is lower than the forward quotation; the differential representing the carrying (financing) costs and prevailing interest rates. Opposite of backwardation.

CONTRACT MONTH
The pre-agreed month during which an Exchange contract becomes deliverable in the case of futures or exercisable in the case of an option.

COST OF CARRYING
Cumulative cost incurred during metal trading that includes storing and holding metal, warehousing, interest charges and insurance.

CUSTODIAL STORAGE
A storage arrangement where the title of the objects stored remains in the name of the owner. Generally, a flat storage fee is charged. For example, valet parking is a form of custodial storage because the title to the car remains in the name of the customer. Precious metals in custodial storage must be identifiable as belonging to a specific owner. The custodian knows which customer each specific bar of gold belongs to.

CUSTOM SMELTING AND REFINING
An agreement whereby material is treated and a pre-agreed amount of precious metal is returned to the customer.

D

DEPOSITORY
A deposit institution that holds precious metal deposit accounts for other people. See "deposit storage", "unallocated storage". Most depositories also offer repository services, such as safety deposit boxes, or allocated storage accounts.

DERIVATIVES (gold based)
Overall term for highly leveraged paper or financial products whose underlying value is based on the gold price. Includes products such as gold loans, forwards, futures, options and warrants.

DIVERSIFICATION
A risk management technique that mixes a wide variety of investments within a portfolio. It is designed to minimize the impact of any one security on overall portfolio performance.

DEVALUATION
Lowering of the value of a country's currency relative to gold and/or the currencies of other nations. Devaluation can also result from a rise in value of other currencies relative to the currency of a particular country.

DUE DILIGENCE MEETING
Meeting conducted by the underwriter of a new offering at which brokers can ask representatives of the issuer questions about the issuer's background and financial reliability and the intended use of the proceeds. Brokers who recommend investment in new offerings without very careful due diligence work may face lawsuits if the investment should go sour later. Although, in itself, the legally required due diligence meeting typically is a perfunctory affair, most companies, recognizing the importance of due diligence, hold informational meetings, often in different regions of the country, at which top management representatives are available to answer questions of securities analysts and institutional investors.

F

FACE VALUE
The nominal value of a government issued coin. A meaningless throwback to the days when national currency units were actually defined as a certain mass of gold or silver. The face value is almost always a tiny fraction of the market value of the coin due to inflation of fiat currency. This does have interest implications on tax reporting, however.

FEDERAL OPEN MARKET COMMITTEE (FMOC)
The committee that sets interest rate and credit policies for the Federal Reserve System, the United States Central Bank. The FOMC has 12 members. Seven are members of the Federal Reserve Board, appointed by the president of the United States. The other five are presidents of the 12 regional Federal Reserve banks. Of the five, four are picked on a rotating basis; the other is the president of the Federal Reserve Bank of New York, who is a permanent member. The Committee decides whether to increase or decrease interest rates through open market operations of buying or selling government securities. The committee's decisions are closely watched and interpreted by economists and stock and bond market analysts, who try to predict whether the Fed is seeking to tighten credit to reduce inflation or to loosen credit to stimulate the economy.

FEDERAL RESERVE SYSTEM
System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. The Federal Reserve System (the Fed) is comprised of 12 regional Federal Reserve Banks, their 24 branches, and all national and state banks that are part of the system. National banks are stockholders of the Federal Reserve Bank in their region.

The Federal Reserve System's main functions are to regulate the national money supply, set reserve requirements for member banks, supervise the printing of currency at the mint, act as a clearinghouse for the transfer of funds throughout the banking system, and examine member banks to make sure they meet various Federal Reserve regulations. Although the members of the system's governing board are appointed by the President of the United States and confirmed by the Senate, the Federal Reserve System is considered an independent entity, which is supposed to make its decisions free of political influence. Governors are appointed for terms of 14 years, which further assures their independence.

FIAT MONEY
Money that a government has declared to be legal tender, despite the fact that it has no intrinsic value and is not backed by reserves.

FINENESS
A measure of the purity of a particular specimen of precious metal measured in parts per thousand. Fineness is calculated as the fraction of (fine weight)/(gross weight) measured to four decimal places and multiplied by 1000. Absolute purity is 1000 fine, but is impossible to achieve with current refining technology. Purity of 99.5% is written as 995. fineness. The highest fineness seen in the bullion industry is 999.9 or "four nines". A one kilogram gold bar of 999.9 fineness contains 999.9 grams of fine gold and one tenth of a gram of dross.

FINE WEIGHT
The measured pure gold content of a bar or coin arrived at by multiplying the gross weight by the fineness. The actual weight of pure precious metal in a particular specimen.

FOOL'S GOLD
Iron pyrites, which look like native gold.

FOUR NINES GOLD
The purest form of gold containing 999.9 parts per 1,000. Occasionally gold containing 999.99 is fabricated for use in the electronics industry.

FUTURES CONTRACT
A standard contract offered by the major Exchanges that allow for the purchase of sale of metal at a pre-agreed price for future delivery at a pre-agreed date.

G

GAMMA
Measured change in an option's DELTA. The first derivative of DELTA, or rate of change.

GOLD CARRY TRADE
A carry trade where you borrow and pay interest in order to buy something else that has higher interest. The gold carry trade works as follows. A central bank loans a bank (sometimes called a bullion bank) some gold. The gold lease rate is usually very low. The bullion bank immediately sells the gold and invests in securities with a higher rate of return, such as government long-term bonds. The carry return is the return on the bonds minus the gold lease rate. However, this trade is risky on two dimensions. First, if the bullion bank invested in long-term bonds and the interest rate goes up, the trade could be unprofitable. More seriously, the bullion bank has effectively sold the gold short. If the loan is called by the Central bank and if gold has risen in value, the bullion bank will have to go into the market and purchase higher priced gold. Indeed, if many banks are short, the unwinding of the gold carry trade could drive the gold price even higher.

GOLD CERTIFICATES
Written confirmation of ownership of gold without necessarily having to take physical delivery of the metal. May be allocated or unallocated.

GOLD LOAN
A means of raising capital for project financing that involves monetizing gold.

GOLD/SILVER PRICE RATIO
The relative price between gold and silver; a ratio on which speculators are known to trade.

GOLD STANDARD
A monetary system in which paper currency is bearer notes payable on demand for a certain quantity of gold. The ratio of total bearer notes to actual gold in national treasury may not necessarily be one-to-one. In the US and Britain this imbalance brought about the eventual demise of the gold standard.

H

HEAP LEACHING
Low-cost method of extracting gold from crushed ore by subjecting it to a spray of dilute cyanide. The gold leaches out and is collected.

HEDGE
Active management of price risk using the various derivative products available.

HEDGE / HEDGING
Strategy used to offset investment risk. A perfect hedge is one eliminating the possibility of future gain or loss.

A stockholder worried about declining stock prices, for instance, can hedge his or her holdings by buying a put option on the stock or selling a call option. Someone owning 100 shares of XYZ stock, selling at $70 per share, can hedge his position by buying a put option giving him the right to sell 100 shares at $70 at any time over the next few months. This investor must pay a certain amount of money, called a premium, for these rights. If XYZ stock falls during that time, the investor can exercise his option – that is, sell the stock at $70 – thereby preserving the $70 value of the XYZ holdings. The same XYZ stockholder can also hedge his position by selling a call option. In such a transaction, he sells the right to buy XYZ stock at $70 per share for the next few months. In return, he receives a premium. If XYZ stock falls in price, that premium income will offset to some extent the drop in value of the stock.

Selling short is another widely used hedging technique.

Investors often try to hedge against inflation by purchasing assets that will rise in value faster than inflation, such as gold, real estate, or other tangible assets.

Large commercial firms that want to be assured of the price they will receive or pay for a commodity will hedge their position by buying and selling simultaneously in the futures market. For example, Hershey's, the chocolate company, will hedge its supplies of cocoa in the futures market to limit the risk of a rise in cocoa prices.

Managers of large pools of money such as pension and mutual funds frequently hedge their exposure to currency or interest rate risk by buying or selling futures or options contracts. For example, a global mutual fund manager with a large position in Japanese stocks who thinks the

Japanese yen is about to fall in value against the U.S. dollar may buy futures or options on the Japanese yen to offset the projected loss on the currency.

HOARDING
The purchase and holding of physical metal to ensure against political, social and financial uncertainties.

I

INFLATION
Rise in the prices of goods and services, as happens when spending increases relative to the supply of goods on the market – in other words, too much money chasing too few goods. Moderate inflation is a common result of economic growth. Hyperinflation, with prices rising at 100% a year or more, causes people to lose confidence in the currency and put their assets in hard assets like real estate or gold, which usually retain their value in inflationary times.

INVESTMENT
Use of capital to create more money, either through income-producing vehicles or through more risk-oriented ventures designed to result in capital gains. *Investment* can refer to a financial investment (where an investor puts money into a vehicle) or to an investment of effort and time on the part of an individual who wants to reap profits from the success of his labor. Investment connotes the idea that safety of principal is important. Speculation, on the other hand, is far riskier.

K

KILOBAR
Widely used bar containing 1 kilogram of fine gold.

KONDRATIEFF WAVE
Theory of the Soviet economist Nikolai Kondratieff in the late 1920s that the economies of the Western capitalist world were prone to major up-and-down "supercycles" lasting 50 to 60 years. He claimed to have predicted the economic crash of 1929-30 based on the crash of 1870, 60 years earlier. The Kondratieff wave theory has adherents, but is controversial among economists. Also, *Kondratieff Cycle*.

L

LBMA
London Bullion Market Association, established in 1987, is a trade association that acts as the coordinator for the activities conducted on behalf of its members and other participants in the London bullion market. Within its charter are codes of conduct covering protocol, behaviour and ethics. Membership is open to any wholesale organization involved in the storage, refining, assaying or trading of bullion within the UK.

LONDON GOOD DELIVERY BAR
A bar of gold or silver meeting the London Good Delivery Standards.

LONDON GOOD DELIVERY STANDARDS
The industry standard of quality indicating that a gold or silver bar is of a minimum quality as defined by the London Bullion Market Association. The specifications for weight, dimension, fineness (or purity), identifying marks and appearance of gold and silver bars as set forth in "The Good Delivery Rules for Gold and Silver Bars" published by the LBMA. The bar must also bear the stamp of a recognized refinery. A list covering all the current refiners with good delivery status is available from the LBMA.

LEASE RATE
The level of return a lender of metal can earn for providing market liquidity. Quoted daily on Reuters; its level is a function of the supply and demand for short-term metal.

LEASING/LENDING
The process by which the Central Banks (and other holders of physical gold) can earn a return on what would otherwise remain a non-interest-bearing asset. Leased gold provides the necessary liquidity for day-to-day transactions.

LEGAL TENDER
1. Verb. To offer gold or silver coin in exchange for something else in a way that is not illegal. Originally US dollar notes said, "This note is a legal tender for one dollar of gold payable to the bearer", meaning that the note itself represented tender (offer) of gold by the Treasury to the bearer of the note.

2. Coins. Officially minted gold coins that may be used to purchase goods and services to the total of their fact value. Since the value of the gold content greatly exceeds the coin's face value, this rarely, if ever, occurs.

***3. Confusion caused by the misuse of the term on Federal Reserve notes has led to the vernacular use of the term "legal tender" as if it is a noun meaning notes or token coins with which taxes can/must be paid, or which must be accepted in payment of debts if offered. This usage of the term is incorrect.

M

MONEY MEASUREMENTS - M-1, M-2, and M3
Three measures of the money supply as defined by the Federal Reserve Board:

M1 is the narrowest measure of money supply. It includes currency in circulation, checking account balances, NOW accounts and share draft accounts at credit unions, and travelers' checks. M1 represents all money that can be spent or readily converted to cash for immediate spending.

M2 includes everything in M1 plus savings accounts and time deposits such as CDs, money market deposit accounts, and repurchase agreements.

M3 includes everything in M2 plus large CDs and money market fund balances held by institutions. M3 is the broadest measure of money supply tracked by the Fed.

Federal Reserve policymakers carefully watch the growth rate of all three money supply measures, but especially M2, as key indicators of economic growth and potential for inflation. Most economists maintain that most economic growth and inflation is determined by the rate of growth in the money supply.

MANAGEMENT FEE
Charge against investor assets for managing the portfolio of an open- or closed-end mutual fund as well as for such services as shareholder relations or administration. The fee, as disclosed in the prospectus, is a fixed percentage of the fund's net asset value, typically between 0.5% and 2% per year. The fee also applies to a managed account. The management fee is deducted automatically from a shareholder's assets once a year.

MARGIN
The cash deposit against a paper contract payable as a guarantee. An initial payment is usually made and thereafter further margin requirements (margin call) may have to be met depending on the performance of the contract throughout its life.

MARKUP
The premium over the spot gold price applied to jewellery and other investment products.

MODERN PORTFOLIO THEORY
A theory on how risk-averse investors can construct portfolios in order to optimize market risk for expected returns, emphasizing that risk is an inherent part of higher reward. Also called portfolio theory or portfolio management theory.

According to the theory, it's possible to construct an 'efficient frontier' of optimal portfolios offering the maximum possible expected return for a given level of risk. This theory was pioneered by Harry Markowitz in his paper "Portfolio Selection," published in 1952 by the Journal of Finance.

There are four basic steps involved in the portfolio construction:
-Security Valuation
-Asset Allocation
-Portfolio Optimization
-Performance Measurement

MONEY
A commodity or asset, such as gold, an officially issued currency, coin, or paper note, that can be legally exchanged for something equivalent, such as goods or services.

As defined by common law: a medium of exchange authorized or adopted by a domestic or foreign government and includes a monetary unit of account established by an intergovernmental organization or by agreement between two or more nations.

Legal tender as defined by a government and consisting of currency and coin. In a more general sense, money is synonymous with cash, which includes negotiable instruments, such as checks, based on bank balances.

According to the US Constitution and US law, money is defined as "gold and silver bullion coin" exclusively of all else. In the vernacular, "money" is used interchangeably with "currency" even though the true definitions are quite different from each other.

N

NUGGET
An irregularly shaped piece of gold found in its native form, usually in alluvial settings.

NUMISMATIC COINS
Gold coins collected primarily for their historical value and interest. Not normally legal tender.

NYMEX
New York Mercantile Exchange.

O

OFFICIAL SECTOR
The sector of the gold market made up of the Central Banking Community and other governmental bodies that cumulatively account for some 35,000 tonnes of above-ground gold stocks.

OPEN MARKET OPERATIONS
Activities by which the Securities department of the Federal Reserve Bank of New York – popularly called the Desk – carries out instructions of the FOMC designed to regulate the money supply. Such operations involve the purchase and sale of government securities, which effectively expands or contracts funds in the banking system. This, in turn, alters bank reserves, causing a multiplier effect on the supply of credit, and, therefore on economic activity generally. Open Market Operations represent one of three ways the Federal Reserve implements monetary policy, the other ways being changes in the member banks reserve requirements and raising or lowering the Discount Rate charged to banks borrowing from the Fed to maintain reserves.

P

PORTFOLIO THEORY
Sophisticated investment decision approach that permits an investor to classify, estimate, and control both the kind and the amount of expected risk and return; also, called portfolio management theory or modern portfolio theory. Essential to portfolio theory are its quantification of the relationship between risk and return and the assumption that investors must be compensated for assuming risk. Portfolio theory departs from traditional security analysis in shifting emphasis for analyzing the characteristics of individual investments to determining the statistical relationships among the individual securities that comprise the overall portfolio. The portfolio theory approach has four basic steps: *security valuation* – describing a universe of assets in terms of expected return and expected risk; *asset allocation decision* – determining how assets are to be distributed among classes of investment, such as stocks or bonds; *portfolio optimization* – reconciling risk and return in selecting the securities to be included, such as determining which portfolio of stocks offers the best return for a given level of expected risk; and *performance measurement* – dividing each stock's performance (risk) into market-related (systematic) and industry/security-related (residual) classifications.

PRECIOUS METALS
Gold, silver, platinum, and palladium. These metals are valued for their intrinsic value, backing world currencies, as well as their industrial applications. Fundamental issues of supply and demand are important factors in their prices, along with political and economic considerations, especially when producing countries are involved. Inflation fears will stimulate gold accumulation and higher prices, as will war and natural disaster, especially in major producing or consuming countries or regions. Precious metals are held by central banks and are considered a storehouse of value. While gold is often singled out, cultural factors assign different levels of significance to the

metals. In the Far East, especially Japan, platinum traditionally is held in higher regard than gold, both in terms of physical metals and investment holdings, and for personal accumulation (e.g., jewelry and coins). Gold is favored in the West. In India and in the Middle East, silver is highly prized, and the dowries of Indian women are replete with silver jewelry and coins. Investors can buy physical metal in bars, bullion and numismatic coins, and jewelry. There are numerous investment vehicles that do not involve physical delivery: futures and options contracts, mining company stocks, bonds, mutual funds, commodity indices, and commodity funds. The values of these investment vehicles are influenced by metal price volatility, with commodity funds and indices, and futures and options, more sensitive to daily price swings. Many metals analysts and advisors recommend that 5% to 15% of investor portfolios be held in some form of precious metals as a long-term hedge against inflation and political turmoil.

Gold, silver, platinum and palladium. These four rare metals located in columns ten and eleven of the periodic table have similar properties including: high malleability, conductivity, high density, high ductility, luster, and low reactivity with oxidants.

PRINCIPAL-TO-PRINCIPAL
Bullion transactions executed directly between the client and the market makers without being channeled through an exchange. Used primarily by market participants who have actual physical transactions to complete rather than the speculators. Speculative business tends to be channeled via the exchanges.

R

RISK
The chance that an investment's actual return will be different than expected. This includes the possibility of losing some or all of the original investment. It is usually measured using the historical returns or average returns for a specific investment.

Measurable possibility of losing or not gaining value. Risk is differentiated from uncertainty, which is not measurable. Among the commonly encountered types of risk are these:

Actuarial risk: risk an insurance underwriter covers in exchange for premiums, such as the risk of premature death.

Exchange risk: chance of loss on foreign currency exchange.
Inflation risk: chance that the value of assets or of income will be eroded as inflation shrinks the value of a country's currency.

Interest rate risk: possibility that a fixed-rate debt instrument will decline in value as a result of a rise in interest rates.

Inventory risk: possibility that price changes, obsolescence, or other factors will shrink the value of inventory.

Liquidity risk: possibility that an investor will not be able to buy or sell a commodity or security quickly enough or in sufficient quantities because buying or selling opportunities are limited.

Political risk: possibility of nationalization or other unfavorable government action.

Repayment (credit) risk: chance that a borrower or trade debtor will not repay an obligation as promised.

Risk of principal: chance that invested capital will drop in value.

Underwriting risk: risk taken by an investment banker that a new issue of securities purchased outright will not be bought by the public and/or that the market price will drop during the offering period.

S

SEGREGATED STORAGE
In the case of bullion objects such as coins that are standardized so that one is practically indistinguishable from another, a custodian must segregate the coins of one owner from those of another.

SPECULATION
Assumption of risk in anticipation of gain but recognizing a higher than average possibility of loss. Speculation is a necessary and productive activity. It can be profitable over the long term when engaged in by professionals, who often limit their losses through the use of various hedging techniques and devices, including options trading, selling, short, stop loss orders, and transactions in futures contracts. The term speculation implies that a business or investment risk can be analyzed and measured, and its distinction from the term investment is one degree of risk. It differs from gambling, which is based on random outcomes.

SPOT MARKET
The immediate market where delivery obligations usually occur no more than 2 days after the transaction.

STABILIZED CONTANGO
Forward contract offered by the South African Reserve Bank to the country's mines.

SYSTEMIC RISK
The risk inherent to the entire market or entire market segment. Also, known as "un-diversifiable risk" or "market risk."

Interest rates, recession and wars all represent sources of systematic risk because they will affect the entire market and cannot be avoided through diversification. Whereas this type of risk affects a broad range of securities, unsystematic risk affects a very specific group of securities or an individual security. Systematic risk can be mitigated only by being hedged.

Even a portfolio of well-diversified assets cannot escape all risk.

T

TITLE
A title is a method of recognizing ownership rights over real or personal property even at a distance. Title is a legal fact or state. "John has title to that white 1997 Honda Accord." Title always attaches to a specific object. In the bullion industry if you put a 100-Toz gold bar in custodial storage, you hold a receipt for the specific bar with a unique serial number identifying that bar as yours. If the repository is robbed and only your specific gold bar is stolen, you would be the only customer of the repository who suffered a loss.

TITLE DEED / CERTIFICATE
A piece of paper recording the act of transfer of legal title to a specific item of property from legal person to another. "The title" refers to the paper certificate of title. The "deed" is the act of transferring title executed and recorded by the signature.

U

UNALLOCATED (GOLD OR ACCOUNT)
Most gold traded in the world's bullion markets is traded and settled in unallocated form. Gold held in this form does not entitle the holder to specific bars of gold and the holder only ranks as an unsecured creditor of the dealer. ***Also, see "deposit storage". This meal can be considered part of the general pool of metal held by the Bank and in some cases, may be lent out without the owner's knowledge or consent, unless the deposit contract specifies otherwise. Gold Currency accounts are unallocated but the contract specifies that the deposit institution may not lend out the underlying allocated gold assets.

UNALLOCATED ACCOUNTS
An account where specific bars are not set aside and the customer has a general entitlement to the metal. Transactions may be settled by credits or debits to the account while the balance represents the indebtedness between the two parties.

Credit balances on the account do not entitle the creditor to specific bars of gold or silver, but are backed by the general stock of the bullion dealer with whom the account is held: the client is an unsecured creditor. In an insolvency, it may not be possible for the liquidator to identify any bullion held in an unallocated account as belonging to the account holder rather than the custodian or the dealer.

Should the client wish to receive actual metal, this is done by 'allocating' specific bars or equivalent bullion product, the fine gold content of which is then debited from the allocated account.

V

VOLATILITY
The rate of change in the price of the underlying commodity. Mathematically, "volatility" is the first derivate of Price. Analogous to "velocity" in physics.

*/we don't have "Deposit Storage"

ABOUT BMG

BMG's 15-year history of ethical management and compliance is achieved in partnership with the industry's most trusted business entities including, among others, our custodian, The Bank of Nova Scotia, and our auditors, BDO Canada LLP. BMG is also regulated by the Ontario Securities Commission (OSC) which monitors compliance with the requirements of the *Securities Act (Ontario)*, as well as with any related rules and policies of the OSC.

BMG was the first precious metals bullion management company in Canada to become an Associate Member of the London Bullion Market Association (LBMA). This validation and endorsement is only bestowed upon firms that meet the LBMA's rigorous industry standards on refining, reliable trading and Good Delivery practices.

Socially Responsible Investing

BMG pursues the highest global standards for bullion purchase, storage, integrity, transparency and security for our clients. Investors in BMG's Funds and BMG BullionBars™ program can be confident that bullion purchased and stored on their behalf is obtained from ethical and legal sources. BMG is an associate member of the Responsible Investment Association (RIA) and a signatory to the Principles of Responsible Investment (PRI). The PRI is the world's leading proponent of responsible investment. To learn more about Socially Responsible Investing

LBMA's Responsible Gold Program:

All refiners producing Good Delivery gold bars comply with the LBMA Responsible Gold Guidance. The Guidance aims at combating systematic or widespread abuses of human rights and avoiding contribution to conflict, while requiring refiners to comply with high standards of anti-money laundering and combating terrorist financing activities.

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