

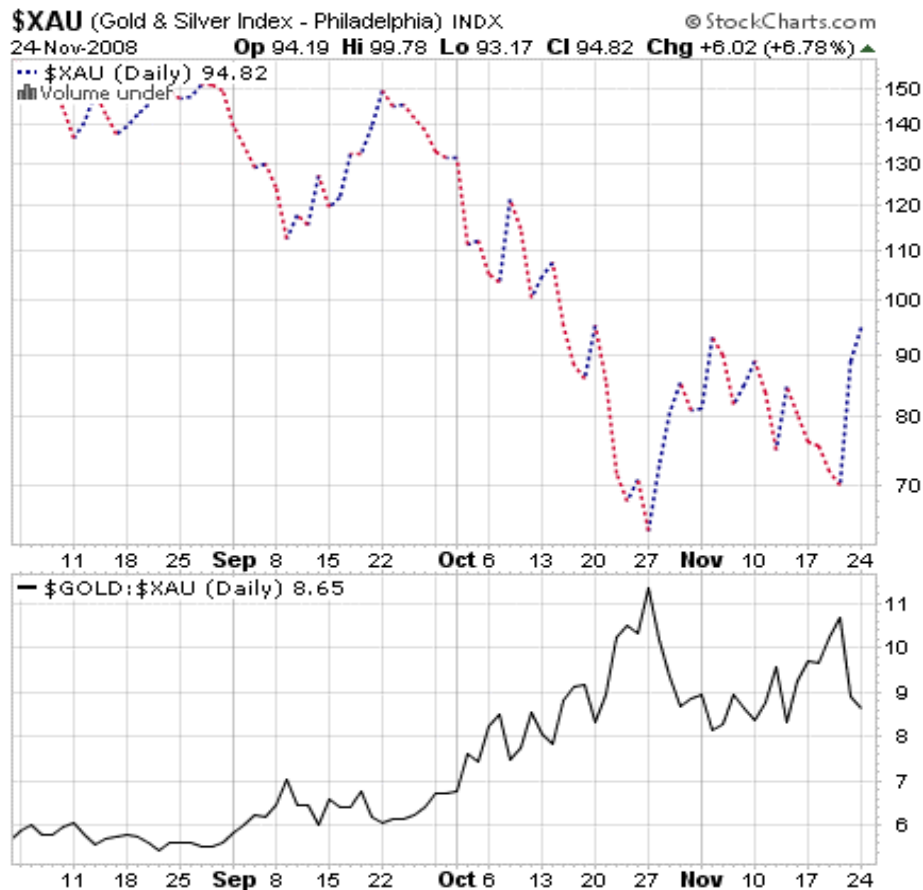


YieldSafe INVESTMENTS LLC

OUTLOOK

"Taking Profits in Gold Stocks"
11/24/2008

The ride in gold stocks was volatile as ever as the XAU Gold/Silver Index moved more in line with the stock market than with Gold. The XAU reached our target of 110 on 10/14/08 by reaching a high of 112.46. Soon afterwards though, the XAU descended along with the stock market which was an opportunity for us to scale into our position.



As shown in the above graph, the XAU reached ridiculously cheap levels relative to Gold as the Gold/XAU ratio surpassed 11 on 11/27/08. We attribute this to a massive deleveraging of the financial system as market players liquidated their borrowed positions to raise cash. The selling was indiscriminate so gold stocks were not spared from the stock market's plunge even though Gold remained relatively stable during the sell-off.

Unlike the leveraged players who were forced to sell at ridiculously cheap prices, we were buyers at those levels, capitalizing on historically undervalued prices in gold stocks. It did not take long for the crowd to scoop up bargains in gold stocks as the XAU rallied over 35% in the last 2 days. Given the steep rise of the XAU recently, we haven't taken profits on our position and will re-enter if gold stocks return to extremely undervalued levels.

Mark Yuan, CFA

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