



Steve Sjuggerud's

TRUE WEALTH

February 2012

A Fantastic Opportunity in Silver

If Silver Goes From \$30 to \$40, You Could Nearly Triple Your Money

An incredible situation is set up in silver at this moment...

Right now is an ideal time to buy silver, as I'll show. And I believe I have found the ideal way to play it...

Unlike any other investments I'm aware of, in this stock, **you'll earn income directly tied to the price of silver.**

If the price of silver doubles to \$60 an ounce in three years, your silver income payments from this investment should nearly quadruple in size.

And if the price of silver doubles, the value of this particular investment could go up more than fourfold in three years. Even if the price of silver rises just 33%, you could nearly triple your money. (Importantly, this investment is NOT a mining company.)

It is all exciting stuff, particularly since now is such an ideal time to buy silver, as I'll explain. So let me share the whole story with you...

In the past, the knock against precious metals was that they just sit there – they earn no interest.

The thing is, large investors don't want zero-percent interest on their money. They want to earn income... During the 1990s, for example, when I was vice president of a global mutual fund, we chose to earn 5% annual interest on our cash. We didn't own gold. And gold – paying zero interest – lost money in the 1990s.

But today, the situation is different... The playing field is level. Cash in the bank pays nothing. And precious metals pay nothing.

Actually, is the playing field really "level"? Or is it dramatically in favor of precious metals?

Think about this... Why would anyone accept zero-percent interest on paper U.S. dollars, printed in infinite quantities, *when you can receive "interest" on a precious metal that can't be created out of thin air?*

Keep in mind, you're not "breaking even" in paper currency these days... You're earning zero-percent interest – but inflation is officially running at 3% a year. So by holding your money in the bank, **you're actually losing 3% of your savings each year.**

Inside This Issue

- This silver stock could go up 336% in the next three years
- It's time to invest in this sector's "stealth bull market"
- Thirty seconds a day helped me avoid back surgery
- The bull market has started – our entire portfolio is now a buy

Editor: Steve Sjuggerud

Meanwhile, now is a fantastic time to buy silver...

Why Silver Is an Outstanding Buy Right Now

Honestly, I never thought we'd see this day...

I thought the big percentage gains in precious metals were behind us.

After all, gold HAS gone up 11 years in a row. And the story on precious metals is already "out"... Everyone knows the only way the U.S. government can meet its financial obligations is by printing money. And everyone understands you can't print precious metals.

So I simply didn't think we'd get a great opportunity to get into precious metals again.

But here we are... with an opportunity about as good as it gets.

We have EXACTLY what we want to see...

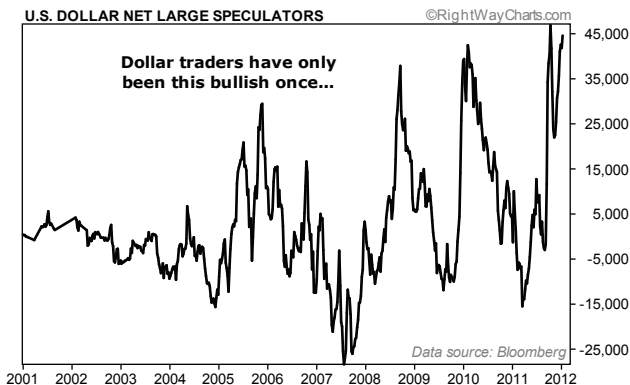
For example, large investors LOVE the U.S. dollar. That's surprising to me. But they love the dollar for a few reasons...

The main one is simple: They don't know where else to put their money.

They're afraid of holding euros right now. They also see glimmers of hope in the U.S. economy. So they expect the U.S. will raise interest rates quicker than Europe or Japan will, and that's a positive for the U.S. dollar.

The thing is... as of last week, EVERYONE had their money in U.S. dollars. There was nobody left to buy dollars.

Take a look at the previous chart. In short, large speculators have extremely large bets on the dollar right now... as big as they get:



The thing is, this bet on the dollar will have to unwind at some point. And the way that happens is through a lot of "sell"

orders on the dollar.

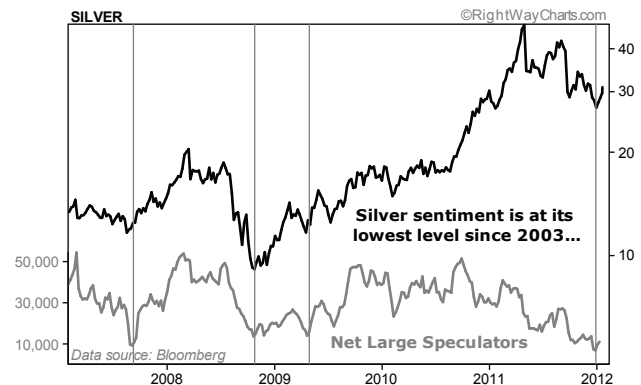
My friend Jason Goeppfert tracks "dollar sentiment" as one of his proprietary indicators at his [SentimenTrader](#) website. Jason's research shows that dollar optimism is at an extreme... When it gets this extreme, a fall in the dollar usually follows. (We're already seeing that... The dollar is down 1.6% this week.)

Something else also happens when dollar optimism reaches an extreme... The price of silver soars.

Typically, **when the dollar is loved, silver is hated**. The pendulum swings as far as it can in one direction. And when it can't swing any farther, it swings the other way.

And that's exactly where we are now.

The chart below shows how hated silver is. Right now, large speculators have their smallest position of silver futures contracts in seven years (as far back as my silver "commitment of traders" data goes).



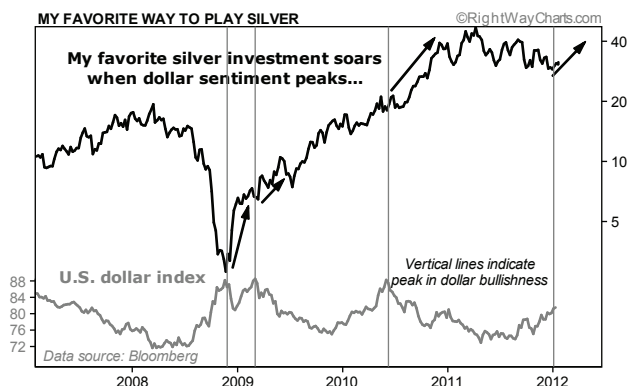
Silver hasn't been this hated since late 2008... and it doubled in 13 months when that happened. Silver was also this hated back in late 2007... and it soared 70% in less than eight months.

Silver looks good now. But there's an even better way to play it than buying silver bullion outright...

My Favorite Way to Play Silver

When dollar optimism peaks according to Jason's indicator, "My Favorite Way to Play Silver" often soars. Take a look at the next chart:

The vertical lines show when dollar optimism peaked. A few times, that peak led to incredible gains in My Favorite Way to Play Silver. If you'd bought it in November 2008, for example, you'd have made four times your money in 13 months.



Dollar optimism has just peaked. And silver pessimism is at an extreme as well. It's now time to own My Favorite Way to Play Silver.

Also, My Favorite Way to Play Silver is undervalued, based on my simple model. Take a look at the chart below. The black line is below the gray "fair value" line. That is when it's cheap.

You can also see that even if silver simply stays the same (at \$30 an ounce), the total return on My Favorite Way to Play Silver should be close to 100% by 2015, if it follows the "fair value" line.



That's assuming no change in the price of silver... If silver goes up just 33% to \$40 an ounce, your money will nearly triple.

And what if the price of silver doubles to \$60 in 2015? My Favorite Way to Play Silver should go nuts. Take a look at the next chart...

If silver doubles in price, my fair value for My Favorite Way to Play Silver is more than three times higher than today's levels.

How can this be?

If you're a longtime subscriber, you might already know the answer...

My Favorite Way to Play Silver is through shares of **Silver Wheaton (NYSE: SLW)**. Silver Wheaton is my favorite business model on the planet – for any business.



I wrote about it once before in *True Wealth*. I said its "business" is simply "driving to the bank and cashing royalty checks. When your business is depositing big checks payable to you, it's near impossible to lose money."

Silver Wheaton simply collects royalties from mines on silver. You see, silver is typically a "by-product" of another mining operation... like gold or copper. The gold or copper company usually doesn't want the silver. So Silver Wheaton gives the gold or copper company a payment upfront, in exchange for all the silver that ever comes out of the mine.

In most cases, Silver Wheaton gets all the ounces of silver mined for the life of the mine (minus \$4 per ounce for production cost). So with silver at \$30 an ounce these days, Silver Wheaton gets a cash flow of \$26 per ounce of silver.

By 2015 (three years from now), Silver Wheaton expects to receive silver royalties on 43 million ounces of silver. Multiply 43 million ounces times \$26 per ounce, and that's an annual cash flow of over \$1.1 billion in silver royalties at today's prices.

So looking at its fair value, shares should be 100% higher from here by 2015.

I have to give credit to John Doody of *Gold Stock Analyst* for this "fair value" model. He argues royalty companies like Silver Wheaton have traditionally traded close to 20 times their royalty payments. If you multiply \$1.1 billion in silver royalties by 20, you get a fair value of about \$22 billion. Right now, Silver Wheaton has a market cap of about \$11 billion.

You can do the same kind of math assuming silver prices rise... At a \$40 silver price, royalties will reach \$1.5 billion, and the fair value of Silver Wheaton will be \$30 billion, 180% higher from here. At a \$60 silver price, royalties will be \$2.4 billion. And Silver Wheaton will be worth \$48 billion, a 336% gain.

But for me, that's not even the most interesting part of the story...

Collecting “Interest” on Your Silver

The more silver prices rise, the bigger your income

For all its years of existence, Silver Wheaton has focused on growing the number of mines it receives royalties from. **But now, it's making too much money.**

Silver Wheaton is net debt free right now. It has more than \$700 million cash in the bank, way more than any future obligations.

It's sitting on \$700 million in cash, and it's on track to make over \$1 billion in royalties by 2015, even if silver prices do nothing. It's generating all this cash... And it only has two dozen employees. **It's time to pay that cash out to shareholders.**

Silver Wheaton has implemented a novel way to do that: It's going to pay out 20% of all cash flows as a dividend.

So in 2015, with no change in the price of silver, the cash flow will be over \$1.1 billion. Take 20% of that, and you get over \$220 million. The current market value of Silver Wheaton is \$11 billion. So if you buy today, you'll collect a 2%-plus dividend then, based on these numbers.

If the silver price rises to \$40 an ounce, the dividend will be nearly 3% over today's prices. And what if the price of silver doubles over the next three years? **Then the cash flow doubles... and the dividend doubles... to \$440 million, or over 4%.**

Most investors aren't aware of these numbers. They see the current 1% dividend and don't think much of it. But by 2015, the dividend can nearly double if the price of silver does nothing... and it can rise nearly fourfold if the price of silver doubles between now and then... which it could!

A few precious metal companies (including Newmont Mining and Eldorado Gold) have started up dividends that are linked to the price of gold or silver. But these are mining companies, with mining risks.

Silver Wheaton does no mining. It collects royalties and pays them out. As long as the price of silver is above Silver Wheaton's royalty expense (which is \$4 per ounce), you will get paid a dividend. You have no production risk.

This also makes it a better deal than a silver bullion fund like SLV, which pays no income. Silver Wheaton pays what will be an ever-increasing dividend for the next few years, based on its increases in royalty ounces.

I could go on and on about Silver Wheaton... I love this story. And now is a fantastic time to get in. However, we do have some other fantastic stories I need to get to in this issue.

So to sum up, we are buying Silver Wheaton for the

long run. We have the potential for hundreds of percent returns from here. We first bought the stock in late 2010 with a 50% trailing stop, which would kick us out at \$23.46, about 25% below today's prices. That stop is still in effect.

I wouldn't normally spend so much time on a stock I'd previously written about... But I really never thought we'd get an opportunity like this again – where the dollar is loved, silver is hated, and Silver Wheaton is below its fair value.

I always want to put my best foot forward... And today, that's Silver Wheaton.

Buy Silver Wheaton (NYSE: SLW) now. Our upside potential is hundreds of percent. Sell half once you're up 100%, and let the rest ride. If this is a new position for you, use the old exit point of \$23.46 as your STOP LOSS. From there, use a 50% trailing stop.

Biotech Breaks Out to 11-Year Highs... and Nobody's In!

Biotech is a fantastic value with tremendous upside
We need to get on board... now!

The numbers are just crazy...

NOBODY is in biotech these days. Meanwhile, biotech stocks have just hit 11-year highs. The shareholder value here is tremendous. We HAVE to get in. The gains can be simply ridiculous.

Let's take this one point at a time...

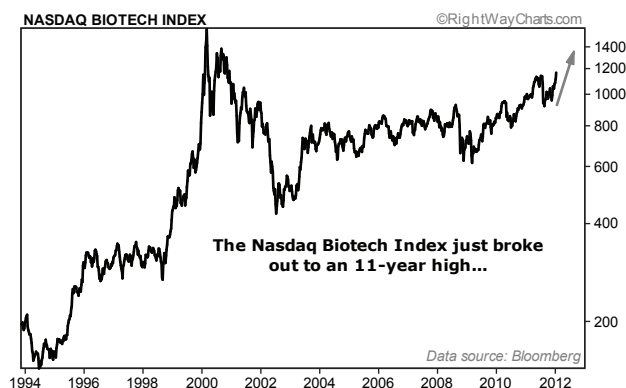
First up... nobody is interested in biotech stocks. It's stunning! Nobody cares. Ever since 2008, investors have headed for the exits slowly and steadily in biotech.

The chart below tells the story... The Nasdaq Biotech Index is a main benchmark index for biotech stocks. And the fund based on that index (which has the symbol IBB) is the largest exchange-traded fund (ETF) for biotech stocks.



You can see the trickle out of biotech in the chart. It tracks the shares outstanding of IBB. When this number shrinks, people are getting out of biotech. The charts for the shares outstanding of the other major biotech ETFs – XBI and PBE – look similar.

Astoundingly, right at this moment – when nobody is in biotech – biotech stocks are hitting new 11-year highs. **It is the greatest “stealth bull market” out there now.** Take a look:



As you probably know by now, the ideal *True Wealth* investment has three characteristics: It's cheap, hated, and in the start of an uptrend. In the case of biotech, we have all three.

It's hated, as the first chart shows. Investors have fled biotech for years. It's in an uptrend, as the second chart shows. But is it cheap?

Biotech stocks – it turns out – are a fantastic deal for investors right now.

One reason is the “shareholder yield”...

Lately, we've done a lot of research in our office on this simple concept. Shareholder yield is simply the money a company gives back to shareholders through dividends and buybacks.

Two months ago in *True Wealth*, I recommended the **PowerShares Buyback Achievers Portfolio (NYSE: PKW)**. This fund owns companies with large share buyback programs. And it has beaten the stock market every year but one for the last decade.

Next week, we're publishing a *DailyWealth* essay about how well you can do if you're investing with an eye on shareholder yield. The results are stunning. Check your inbox on Monday.

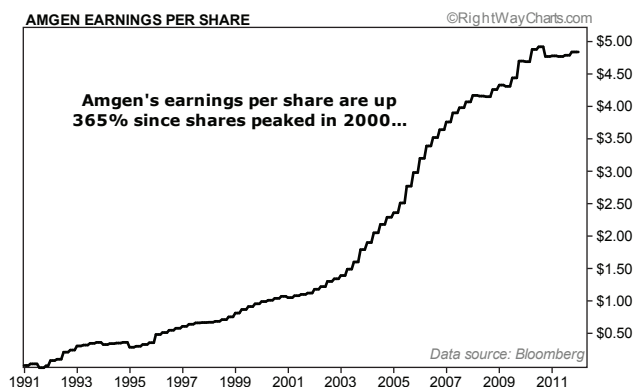
This week, we ran some tests, searching for stocks with high “shareholder yields” that were in an uptrend. We were shocked to find three biotech companies near the top of that

list. You don't normally think of biotech stocks having a yield. But it turns out, they have some major buyback programs in place.

Amgen, Celgene, and Biogen were near the top of the list. And it just so happens that these are a few of the largest holdings in IBB – the Nasdaq Biotech Fund. You normally don't think of biotech as “value plays.” But when they're giving this much money back to shareholders – particularly in our zero-percent world – they ARE value plays.

The second reason biotech stocks are cheap is that share prices have done nothing for 11 years... But the major biotech companies have not stopped growing...

Take a look at this chart of Amgen's earnings per share. It's a perfect chart – lower-left to upper-right. Nothing has stopped the upward slope... Not 9/11... not the financial crisis... nothing.



Even with the extraordinary earnings growth in that chart, shares of Amgen are lower today than they were in 2000. In short, investors are not excited about the future in biotech. So Amgen is now cheap, at a forward price-to-earnings ratio below the overall stock market.

It's not just Amgen... The stocks below make up more than 5% of the Nasdaq Biotech Index... And they're all good values, particularly for biotech. Take a look...

Stock	Forward P/E ratio
Amgen	11.8
Celgene	15.6
Gilead	11.5
Teva	8.1

We simply have to get in.

Longtime readers know what I think about biotech bull markets:

If you catch just one biotech bull market in your lifetime, you may never have to work again.

It's true... From late 1998 to early 2000, the Nasdaq Biotech Index soared OVER SIXFOLD in less than 18 months. And that's not even the best biotech bull market...

In the early 1990s (before the Nasdaq Biotech Index existed), the Datastream Biotech Index soared over 1,300%. All told, biotech stocks have had four massive, triple-digit bull markets since the 1980s.

Biotech stocks have extraordinary booms and busts. Investors get excited about biotech changing the world... then forget about it entirely. For over a decade now, biotech has been completely dead money. **But it's finally time to buy.**

Of course, I can't know if this is the next great bull market in biotech – the next hundreds-of-percent move... But we can't afford NOT to be onboard.

So we're buying the iShares Nasdaq Biotech Fund. It's THE major biotech fund. It has large stakes in the big biotech names I wrote about above. It's our way to play it...

Buy the iShares Nasdaq Biotech Fund (Nasdaq: IBB) today. Use a 25% trailing stop. Sell half once you're up 100%... and let the rest ride... I think you'll be glad you did!

Outside the Box: No More Back Problems... No Extra Charge

I've had back problems most of my adult life.

I was genetically predisposed to have them... I'm 6'4" tall with a 31-inch inseam. Just call me "Torso Man."

A few years ago, I spent tens of thousands of dollars out of my own pocket at the Mayo Clinic in Florida, trying to solve what was causing these darn back problems.

Long story short: We succeeded.

My back hasn't locked up on me in years... And I didn't go under the knife or anything like that. I know how to "control" it now and enjoy life without my back getting in the way. It's GREAT.

In case you're having some back trouble – and everyone does, at some point – I thought I'd share what I learned, and what works for me. I hope you don't mind... I figure your health is just as important as your investments. And the best part of the story is, *what works for me costs nothing...*

You have nothing to lose... And the solution for my back issues might be able to solve or prevent back problems for you, too.

When I first went to Mayo, it sure looked like I needed back surgery... The MRI showed I had some severely herniated discs. My neurosurgeon, Dr. Eric Nottmeier, wasn't smiling much back then. But he didn't recommend surgery right away. He wanted to exhaust some other options first.

We talked with an orthopedic surgeon. And then Dr. Nottmeier sent me to see Dr. Tom Rizzo, a sports medicine doctor.

Drs. Rizzo and Nottmeier came up with the idea that my herniated disks could possibly be a "red herring" for the real problem, which they needed to figure out. They hypothesized that tight muscles – particularly the "psoas" muscle – was causing the compression in my back that was pinching nerves and causing the pain.

Before I met them, I didn't know what a psoas muscle was. It turns out, it's a long, thick muscle that connects your abdomen to your thigh.

Essentially, they told me: "*Try stretching your hamstrings and your psoas, and maybe this pain will go away.*"

"Really?" I thought. "*I spent all that money – for a few stretches?*"

Apparently, yes. Because it works. (What did I want, surgery?)

Every morning, I stand up out of bed, turn around, and put one leg back up on the bed. I then reach out and grab my toes. It's a great stretch for the hamstrings and the back.

Then, leaving that foot on the bed, I turn around. Now one knee is on the bed, and the other foot is on the ground. Hands on my hips, lean back a bit, that's it. It's a great psoas stretch.

Switch legs, and you're done. (If the bed is too tall, try the couch at first.)

Added Value

Fortunately, Silver Wheaton has one of the best corporate presentations in the world. It explains their story, in detail. I highly recommend you check it out. Go to www.SilverWheaton.com and scroll down. You'll find Silver Wheaton's latest presentation all the way on the bottom right of the home page.

It's incredibly simple. It's 30 seconds a day. It costs you nothing. And my back hasn't gone out on me in years.

I'm no doctor, so I can't say what's right for you. But it works for me. This sure has helped my back. Maybe it would work for you, too...

Who doesn't have 30 seconds a day to save their back for life?

Where to Be Invested Now

In last month's *True Wealth*, I wrote: "*Housing is a fantastic value. Stocks are a fantastic value. The dollar should fall from here. And gold and other risky assets should rise.*"

All that advice should have made you money over the last month. And that advice still stands.

I got specific last month. I said, "*It is my personal belief that gold hit a bottom this week, and it will enter a multi-month rally starting now.*" I was a bit early on that. But 2012 has been great so far.

I also specifically said the dollar peak was in. I wrote, "*I believe other currencies will rise against it – as will other speculative assets, like tech stocks and gold stocks.*"

Those things are happening now. Our *True Wealth tech stock fund* (NYSE: ROM) is up nearly 20% since I wrote that. And we sure have made money with our metals stocks as well...

Last month's recommendation of **Stillwater Mining** (NYSE: SWC) has absolutely soared – up 17% in one month. And **Freeport-McMoRan** (NYSE: FXC) has soared 21% since last month.

Our recommended precious metals of **platinum** (NYSE: PPLT) and **palladium** (NYSE: PALL) rose dramatically as well. Last month, I recommended buying platinum when PPLT traded above \$150. We needed the uptrend to be confirmed before pulling the trigger. Well, platinum had a great month... up 7.6% since our last issue. PPLT closed above \$150 on January 17, so we're adding it to our portfolio. **The uptrend is confirmed, so it's time to buy. Add shares of PPLT to your portfolio if you haven't already.**

On the downside, shares of **Seabridge Gold** (AMEX: SA) hit our trailing stop before the gold rally kicked in... Those shares haven't joined in this rally, anyway. It pains me to say it, but it is time to follow our discipline and sell Seabridge Gold. I am no geologist. I can't explain what's happening. All I know is, we hit our stop. **Our policy is to limit our downside risk in all positions. So that is what we must do. It is time to move on. Sell Seabridge Gold.**

Out of our current recommended list of 29 positions, only two were lower last month. Even though many positions on the list have soared in the last month, my advice still stands.

Housing is cheap. Stocks are cheap. The dollar should fall. And risky assets should continue to rise.

We have legitimate uptrends. We are in the ultimate breeding grounds for a legitimate bull market in stocks... Interest rates are extremely low. Stocks are a great value, relative to other assets. After 12 years of no returns, investors are skeptical of stocks. And now, our elusive uptrends are in place.

Our recommended list is chock full of ideas that should do well in this environment. I believe chances are high this is the start of a bull market in stocks.

I am moving almost EVERYTHING on our recommended list back to a BUY.

While many investments have moved up a lot in the last month, I believe this is just the beginning. It's a moment to be bold. Step up!

Put some of that cash to work now... before things get away from you.

Good investing,



Steve
January 20, 2012

The True Wealth Recommended List

Prices as of January 19, 2012

Investment	Symbol	Ref. Date	Ref. Price	Current Price	Total Return*	Status
Safe Money Plays						
Berkshire Hathaway	BRK-B	7/17/2009	\$59.02	\$79.59	35%	Buy
WisdomTree Japan SmallCap Dividend Fund	DFJ	2/19/2010	\$38.81	\$42.40	13%	Buy
Everbank DBCR MarketSafe CD		3/19/2010	\$100.00	\$100.00	0%	Closed
Dorchester Minerals	DMLP	4/16/2010	\$23.22	\$22.08	10%	Buy
Hatteras Financial	HTS	5/21/2010	\$25.49	\$27.20	35%	Buy
Annaly Capital	NLY	5/21/2010	\$15.72	\$16.45	33%	Buy
Cambria Global Tactical Fund	GTAA	10/26/2010	\$25.06	\$23.57	-5%	Buy
Texas Pacific Land Trust	TPL	8/19/2010	\$27.04	\$42.28	57%	Buy under \$30
Two Harbors	TWO	6/16/2011	\$10.55	\$9.49	1%	Buy
Chimera	CIM	9/15/2011	\$2.98	\$2.79	2%	Buy
CurrencyShares Australian Dollar	FXA	11/17/2011	\$100.11	\$104.40	5%	Buy
Speculations						
iShares Home Construction	ITB	2/23/2011	\$13.20	\$13.68	4%	Buy
ProShares Ultra Health Care	RXL	3/17/2011	\$53.96	\$65.52	22%	Buy
ProShares Ultra Technology	ROM	3/17/2011	\$61.38	\$66.24	8%	Buy
PowerShares Buyback Achievers	PKW	11/17/2011	\$25.56	\$27.52	8%	Buy
iShares MSCI Australia	EWA	11/17/2011	\$22.30	\$22.84	5%	Buy
iShares MSCI Germany	EWG	10/20/2011	\$20.03	\$20.94	5%	Buy
iShares Nasdaq Biotech	IBB	1/19/2012	NEW	\$113.81	NEW	Buy
Commodities						
Market Vectors Gold Miners	GDX	2/19/2010	\$44.57	\$52.15	18%	Buy
MS65 Saint-Gaudens		9/16/2010	\$2,300	\$2,230	-3%	Buy
Silver Wheaton	SLW	10/14/2010	\$27.70	\$30.67	11%	Buy
Seabridge Gold	SA	12/16/2010	\$26.77	\$18.63	-30%	Buy
Royal Gold	RGLD	4/14/2011	\$53.44	\$67.70	27%	Buy
Rio Tinto	RIO	10/20/2011	\$47.92	\$57.48	20%	Buy
Freeport-McMoRan	FCX	10/20/2011	\$34.79	\$44.37	28%	Buy
Vale	VALE	10/20/2011	\$22.21	\$24.53	10%	Buy
Elements S&P Commodity Trends Indicator	LSC	10/20/2011	\$7.46	\$7.14	-4%	Buy
ETFS Physical Palladium Shares	PALL	12/15/2011	\$61.00	\$67.11	10%	Buy
ETFS Physical Platinum Shares	PPLT	1/19/2012	\$150.31	\$150.31	0%	Buy
Stillwater Mining	SWC	12/15/2011	\$10.47	\$12.22	17%	Buy
* Total return column INCLUDES dividends or income. This portfolio is not intended to represent the exact prices at which you could get in or out of a stock. Rather, it represents the value of our insights at the time our material is published. How to use a trailing stop: A stop loss is a predetermined price at which you will sell a stock in case it declines. A "trailing stop" is a stop loss that "trails" a stock as it rises. For example, let's say you set a 25% trailing stop on a stock you purchase for \$10. If the stock rises to \$20, you would move your trailing stop to \$15 (\$5 is 25% of \$20, \$20 - \$5 is \$15). Only use closing prices, and never enter your stop into the market. For more information, see our frequently asked questions at www.stansberryresearch.com/secure/faq.asp						

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