CHART OF THE MONTH

APRIL 2013

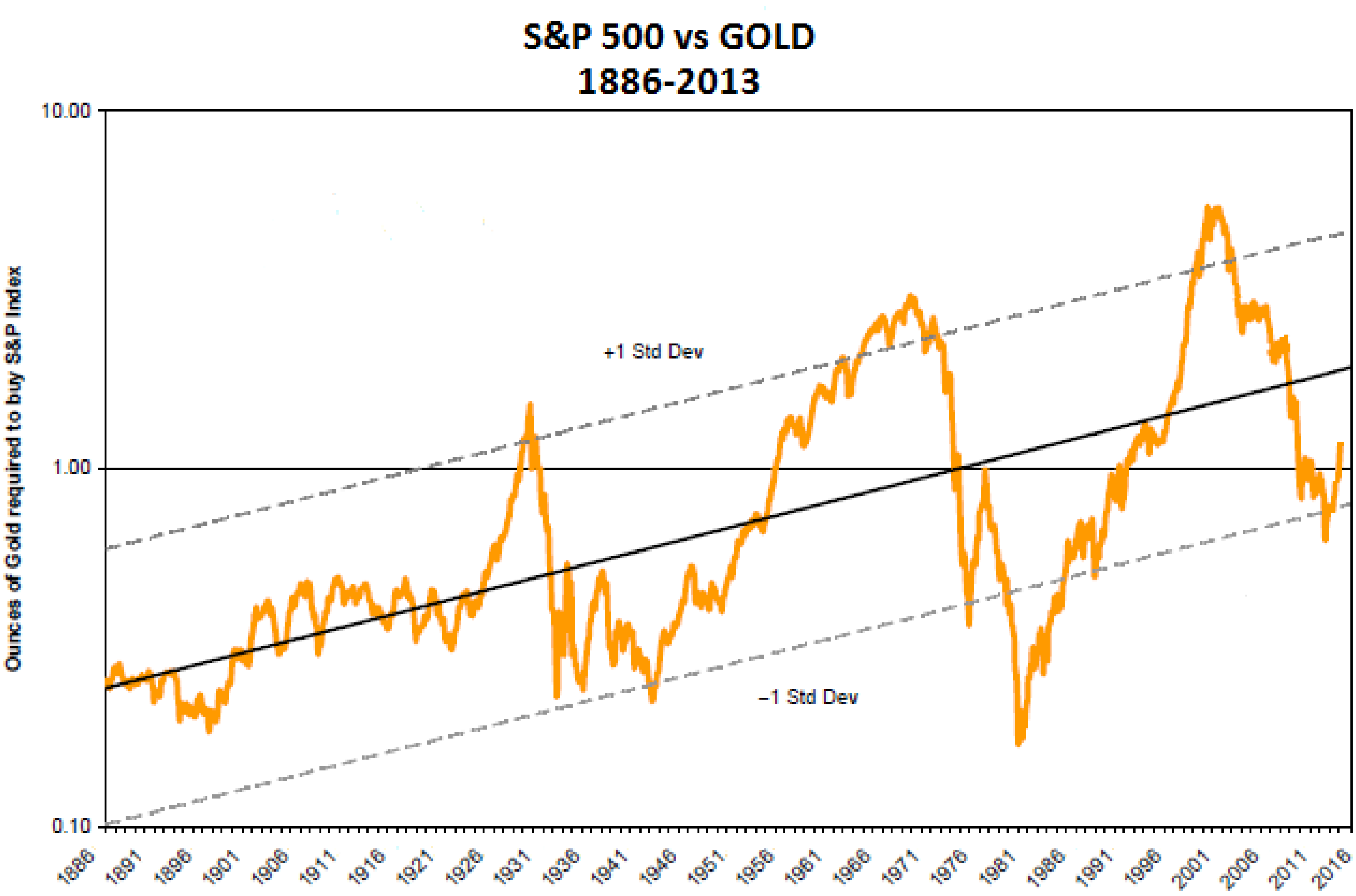
We are revisiting our [Chart of the Month for March 2012] when we compared the historical performance of stocks vs. gold. The latter had walloped the former over the previous dozen years to such an extent that the ratio of an ounce of gold required to buy the Standard & Poor's 500 Index was more than one standard deviation from the norm, a signal to us that these investments were at a significant inflection point.

Thirteen months ago, we posited the following: "From a contrarian standpoint, the bullish view on gold and the bearish attitude toward stocks may provide value-oriented investors with an opportunity to sell the precious metal and buy equities." We concluded that "stocks will outperform the yellow metal over the next quarter of a century."

Back then, the S&P 500 and an ounce of gold were trading at 1,405 and $1,660, respectively. Today, the S&P 500 and gold are at 1,585 and $1,460. As such, the S&P has gained nearly 13% (exclusive of dividends) while gold has declined 12%, meaning stocks have outperformed by 27% (25% based on price and 2% on dividends).

As evidenced by the upward-sloping ratio in the updated chart below, stocks have outperformed gold over the long run. However, there have been three distinct periods in which gold beat stocks: (1) during the Depression and World War II, (2) from the abolishment of the gold standard in 1971 until the peak in inflation in 1981, and (3) from the top of the stock market in 2000 through September 2011 when the precious metal reached an all-time high price of roughly $1,900. Otherwise, stocks have outclassed gold, including by substantial margins over the ensuing two decades once the ratio had pierced the -1 standard deviation line.

We contend that stocks are in the early stages of trouncing gold once again.



LEDERER & ASSOCIATES
INVESTMENT COUNSEL

111 WEST OCEAN BOULEVARD, SUITE 1350, LONG BEACH, CALIFORNIA 90802
TEL: (562) 495-2350 ▲ FAX: (562) 495-2006
www.lederer-associates.com