RM ROBUST METHODS

261 Madison Ave, 9th Flr
New York, NY 10016
info@robustmethods.net
tel. 212.673.3401

**3rd Quarter Report, 2013**

**Robust Methods** is a seasoned money manager and pioneer of Robust Portfolio Management. The firm's mission is to generate solid investment returns to a global and sophisticated investor base. Emphasizing research and quantitative decision making, transactions are made on the financials and commodities markets. An advanced risk management heuristic lies at the core of the methodology which aims at optimising the portfolio's exposure while maintaining its balance.

**Returns** ***(Net of 2/20 Fees)***

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Data for the period of 2005 till 2012 is excluded from this table* | | | | | | | | | | | | |
| **2013** | -1.97% | -2.25% | -0.02% | -4.60% | -0.78% | -2.65% | 1.41% | 1.77% | -1.83% | | | | **-10.55%** |

## Commentary

Dear Investor,

We make this report longer than usual as the global economic and political climate has been negatively charged, and as the pace of events has been accelerating. Such is typical towards the end of a major cycle, and inclusive of a political market era which has been marked by a broad and generalized social and financial abuse. As a tyrant becomes most agitated just before being deposed, or as the night grows darkest just before a new dawn, indicators now point to an era in its last phase and fading out.

Our portfolio has started showing bottoming signs in the 3rd quarter, and after being weighed down by a protracted downtrend within the precious metals sector, and which came as a direct result of relentless and lawless market manipulations by the central banks.

While it seems that the metals may have found a floor at this stage, there are clearly no guarantees, or indications, that the large private banks such as the Fed and the BIS will not attempt further price take downs, and force further liquidations. Hence, the possibility of the summer lows in gold to be revisited and tested once again, remains open. Nevertheless, and should this scenario happen again, we’d expect it to be short lived.

The scheme of raiding the precious metals markets and creating panicked public selling has so far allowed the banking cabal to suffocate these markets and to extract ill-gotten gains from private and institutional investors, and while inflicting cripling losses on the producers and refiners in the mining industry. The precious metals being one of the few places left to seek shelter from the insane monetary policies, the banking cartel decided to destroy and create chaos in these markets which it cannot control.

The idea is to keep the funds fenced-in within the fiat monetary system, and where they can be easily accessed and abused. By slowly debasing the paper currencies, the large banks are basically extorting one more bailout from the public, albeit in an opaque and implicit manner this time around.

This scheme wouldn't be possible to implement if the metals were allowed to take their fair value, and hence, the price of the metals must be subdued for as long as needed for the bullion banks to vampire value from the economy, and to exit their short sales positions after placing the wrong bets.

The regulatory bodies remain notably and shamefully absent, and although fully aware of the situation.

Clearly, this manipulation is of a very large scale and of a coordinated nature among the main Western central banks.

As a result, the Western gold reserves, be them viewed as a currency anchor or as part of the national wealth, are being abused and liquidated at below their market value, in order to generate private gains for a handful of parties and to cling one more day to the control of the financial system.

Indirect beneficiaires, and part of the scheme, are likely to be China and other Asian countries that are more than happy to exchange their problematic paper dollars against precious metals.

In August for instance, it was discovered that around 1500 tonnes of gold were missing and unaccounted for at the BOE. This caused great embarrassment to the central bank, and as this showed a good proof of its clandestine operations.

261 Madison Ave, 9th Flr
New York, NY 10016
info@robustmethods.net
tel. 212.673.3401



It took the careful examination of a precious metals analyst to discover the accounting discrepancy, and which shows how the BOE overlooked forging that line in its publicly reported statements.

In a disappointing development in late September, the CFTC decided to close a 5 years investigation and to dismiss the case of silver manipulation by the bullion banks. While undisputable evidence was presented to the regulator, and which pointed at JP Morgan and HSBC, the CFTC must have presumably found itself powerless when facing a Machiavellian governmental rhetoric.

This situation has been frustrating for the Global Macro and CTA managers, and institutions invested in the metals. It has weighed immensely on their investment returns and business bottom line over the recent years, and created a tense relationship with their clients.

We expect this scheme to start unraveling from here and to eventually be resolved in favor of the metals taking their full value.

On the monetary policy side, the Fed did the opposite in September of what it had promised it woud do earlier in the year; it decided not to 'taper', and the market's reaction was for gold to shoot upwards by almost $80. It did not take long nevertheless for the central banks' computers to catch up and sell unbacked forward sales to bring the price back down. In fact the price was brought back down just below its initial level before the announcement.

Also affected were the emerging economies which were not impervious to this dancing around; having set the stage for tapering all along, the abrupt change of plans caused wild swings in the currency flows of emerging markets and their local economies. Such is the collateral damage that nations should be prepared to sustain if they follow a centralized monetary policy.

As far as this writer is concerned, Ben Bernanke and his peers within the new-Keynesians group continue to prove to the world that their understanding of financial and currency systems is poor at best. Weak principles of economics used by the Fed, and which do not qualify as scientific for sure, are merely being used as an intellectual fraud for financial and political gains. For the Fed's Chairman to publicly state that he does not understand gold is acknowledging that he does not understand the iron law of 6000 years of monetary history.

After years of promises of an economic recovery under his leadership, the money velocity has continued to hit fresh new lows and well below the 1960's levels.

The Western economies remain obviously in dire straits, with the sick humor of the day being that the 'exit strategy' has more to do with the Chairman's own exit from the Fed rather than cleaning up the money monster he has created.

The situation at the central bank is making it difficult to find a serious person willing to accept the job, and Bernanke's tenure certainly provides one more example of the unaccountable behavior of 'kicking the can down the road'. The can has reached the end of the road it seems.

On the asset allocation side, the negative interest rates policy has, as intended, pushed the global liquidity further out along the risk curve; stock prices are now outpacing corporate profits at current levels. Equities are in a precarious position where they stand and are not underpinned by corporate earnings growth or a recovery in the housing market.

With yields on the 10-year note starting to inch upwards, equities, housing, and banks stand to face more constraining conditions soon.

Separately in September, and in a noteworthy political development according to the *Frankfurter Allgemeine Zeitung* newspaper, the Germans showed some teeth by sending a helicopter to hover just about 60 meters (200 feet) above the US Consulate in Frankfurt, creating some stress to the staff and security personnel, and damaging the chinaware on the shelves inside the consulate.

While a German politician stated the NSA spying as a reason for the flyover, we suspect this had more to do with the gold situation than anything else. Having discovered that the Fed has sold the Bundesbank's

261 Madison Ave, 9th Flr
New York, NY 10016
info@robustmethods.net
tel. 212.673.3401



gold on deposit, and hence, is now unable to meet its obligation against their redemption request, the Germans must have been fuming.

And granted, this was a shocker to everybody and as the Fed made Madoff look like an amateur. This event couldn't have been closer to a declaration of war than anything else as some have noted.

So, we wonder whether this *achtung!* will go any further from here, but when a major private bank defaults on deposits, the reality check can't be anymore clearly written on the wall.

The US Government shutdown adds further pressure on the financial markets. The *Financial Times* reported on October 3rd, that some banks have started to stuff their Automatic Teller Machines (ATM's) with 20 to 30% more cash than usual, and to develop plans for panicked withdrawals. In the aftermath of the Cyprus bank accounts confiscation, the public is less likely to wait to be 'Cyprussed' on no notice.

Looking at the Near East, the war profiteers took a serious hit in the conflict in Syria after their failed attempt to start a military operation. Unfortunately for the Syrian people and surrounding countries, the crisis has not been resolved, but has evolved into a new direction.

With Germany not signing off on the plan and the British government not going along, cracks in the cohesiveness of the cabal are starting to appear. The BRIC's nations took a firm stance on the Syrian conflict in order to prevent an Iraq or a Libyan replay.

As President Putin explained in a humble and historic article in the New York Times, their decision had much more to do in preserving International Law after WWII, and preserving a Multi-Polar World, rather than in defending a dictator.

With some in the US Military sharing the BRIC's political views, internal divisions and tensions on Capitol Hill are expected to intensify.

The cabal remains in control of the financial paper markets in the meanwhile, and though the inter-markets dynamics are deliberately distorted. The resulting artificial price setting clearly violates the natural laws, and hence, is expected to end in major price dislocations and adjustments down the road.

In the meanwhile, global investment strategies, be them based on fundamental analysis such as Global Macro, or on technical analysis such as a CTA strategy, have been pressured as a result of a market which has lost its structural integrity.

Investment strategies which are less sensitive to market direction and intermarket relationships on the other hand were less affected.

In closing, we have discussed the end of a major cycle, major market manipulations, and a great financial and political deception being conducted upon the public and the global citizenry. In this writer's opinion, it is going to take some sort of a global new awareness and a financial reset for all the current flaws and deep imbalances to be worked out in a fair and orderly manner.

Barring that, and given all the competitive angles at play, the odds of a successful reset look rather slim.

An historic systemic fall remains in the background, and is a distinct scenario we keep on our radar.

Our portfolio remains reasonably balanced, and as we allocate and adjust our positions to reflect the various scenarios.

Best Regards,

Karim Taleb

Robust Methods LLC is a Registered Firm with the Commodities Futures Trading Commission (CFTC). This document is not an offer to sell securities & is not intended for public distribution. It is by way of information only to an investment professional. Past performance is not necessarily indicative of future results.