

INFORMATION LINE

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Perspective

As the recent holiday season begins to fade into memory, we find our attention turning to the business of a New Year. We resolve to make changes in our lives with varying degrees of success expected. We anticipate a better year than the last since we gained more knowledge and hopefully wisdom too during 2001. And... we roll up our sleeves, sharpen our pencils, fire up the calculator, and gather our records as we prepare to wage the annual battle to reclaim as much of our hard earned money as we can wrest from the clutches of Uncle Sam.



Michael Checkan

That's right...tax season. Already, the 1099's and W-2's are arriving in the mail. Whether you tackle it immediately, or delay until the final hours on April 14th, here are a few thoughts to consider.

It is not too late to make contributions to your IRAs for 2001. You can make contributions up to the tax-filing deadline for the previous tax year. Also, you can simultaneously contribute to your IRA for 2002. Keep in mind that the contribution limits are increased from \$2,000 to \$3,000 for 2002. For those of you that are 50 or more years of age, you can contribute an extra \$500 as a "catch-up" feature. The message here is that Social Security can not be expected to cover all of your expenses in retirement. The government is encouraging us to add to our retirement funds by increasing the amount saved on a tax-deferred basis.

As you build the value of your IRAs through increased contributions, be cognizant of the international investments that can be purchased with IRA funds. Offshore storage of precious metals, foreign currency

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The Euraxxess World of Opportunity

Glen O. Kirsch interviews Dr. Erich Stoeger,
New Chairman of Euraxxess AG in Switzerland

1/ Dr. Stoeger, thank you for taking the time to share with our readers the exciting and unique capabilities of Euraxxess AG. Please tell us a little about your background in international banking and finance.

I've been active in international banking for more than 30 years. After obtaining my PhD in Economics and business administration at the University of Vienna, I worked with a number of banks and brokers in the United States, Great Britain, Japan and France. Before retiring, I spent 16 years as the CEO and then the Chairman of the Royal Trust Bank in Vienna, Austria. Our core business was serving clients from about 80 countries around the world who used the bank as their base for international portfolio diversification and asset management.

2/ Until recently, you had been retired. What drove you to retire from retirement?

Well, I retired from Royal Trust Bank (Austria). However, I never really turned inactive. I experienced an ongoing demand for convenient and trusted access to a variety of investment services in Europe. I found myself still acting as a private banker, still assisting clients in their financial matters, and providing independent advice and finding reliable partners. Consequently, I decided to institutionalize these services and co-founded Euraxxess with a group of highly capable friends in Zurich.

Most investors are well-aware of the benefits of global asset diversification. However, at the same time, they are often hesitant to get started. In my opinion, this is mainly due to their lack of trusted contacts and tested guidance.

3/ How can Euraxxess assist our readers in overcoming these impediments to action?

Our mission is to be a one-stop point of convenient access to international investing

and offshore asset preservation strategies. We work with several of the best banks, insurance companies and offshore financial experts in Switzerland, Austria, Liechtenstein, Luxembourg and other international Financial centers. Thus, we are able to provide ready access to a wide area of expertise and service.

4/ How should our readers move ahead with establishing a relationship with you? And how will you help them get started?

Based on an initial personal assessment and asset allocation review, we try to understand and pinpoint the client's financial needs and objectives. This facilitates the determination of a strategy and the selection of adequate services in a dialogue with the client. Once the direction and strategy has been carved out, Euraxxess coordinates and facilitates execution and ongoing maintenance.

Our full service approach entails a wide range of investments and structures. International bank accounts, discretionary portfolio management, tailored life insurance solutions (annuities, endowments, wrappers etc.), precious metals in bullion or certificate form, trusts, IBCs, global IRA Services . . . You name it.

I need to mention that some services are only available within a membership arrangement. I believe this is where the real added value of our services is generated, through a lasting, long-term trust relation-

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Currency Corner

Hedge Funds — Some Popular Myths Exploded

by Michael Checkan

Not so long ago, there was a hedge fund called Long Term Capital Management (LTCM), which made investors lots of money. Until one day in 1998, when the investors lost everything. LTCM was a hedge fund, but investors bought a story without the slightest clue how investments were financed, because the managers (Nobel Prize winners don't forget!) wouldn't tell them. The prudent investor would not have been happy with this, and many others managed to avoid losing money for another reason. LTCM experienced such demand that it required a "lock-up" of 12 months on your money. No thanks. Hedge funds can be great investments, but not at that price.

Such events give hedge funds a bad name, but investing in a hedge fund does not necessarily mean embracing more risk. As unregulated entities they are unrestricted in the range of styles and investment instruments they employ. Unlike regulated mutual funds they can go anywhere to make their returns and crucially can hedge – either by selling short securities or futures – therefore, substantially reducing or even eliminating market risk. Long-only mutual funds can diversify away specific risk (by holding many stocks) but cannot eliminate the risk of the market as a whole falling. This is the essence of why hedge funds can produce better risk-adjusted returns than mutual funds.

We see essentially three types of hedge fund strategies – relative-value, event-driven and opportunistic. Our friends at Trafalgar Capital Management in London warn that opportunistic funds may be best avoided by the conservative investor since returns may be higher, but may be more volatile. Systematic approaches to security screening and portfolio construction, employed in the former two categories, produce the most consistent returns for the lowest volatility.

Relative-value managers, such as Trafalgar, rank stocks one against the other on technical or fundamental grounds, buying the cheap stocks and selling short the expensive ones. Event-driven managers wait for the announcement of a takeover or divisional demerger from a company and place their bets within educated parameters, knowing what return they are targeting. As a general rule, the more diversified the portfolio (by industry, country, currency exposure etc) the less bumpy the ride.

Hedge funds have been around now for over 50 years. They need not employ excessive leverage, although some do. As a group they have produced risk adjusted returns superior to mutual funds, although recognized hedge fund indices do

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	YEAR AGO	CURRENT	
Swiss Franc	.5967/Franc	.5820/Franc	➔
British Pound	\$1.4480/Pound	\$1.4130/Pound	➔
Japanese Yen	.0085/Yen	.0074/Yen	➔
Euro	.9247/Euro	.8595/Euro	➔

The Hard Stuff

The Year Ahead Offers Opportunities, But It Won't Be Easy

by Adrian Day

After two years of broad declines in markets, many analysts are expecting strong advances in 2002. After all, markets typically do not decline three years in a row, do they?

Not so fast. The excesses of the 1990s have not yet been erased, and investors have not capitulated, nor have valuations fallen to bear-market lows, with the earnings multiple on the S&P an astonishing 48. Bull markets have rarely—if ever—started from such levels of overvaluation.

The U.S. economy will not rebound soon

I am not optimistic about the prospects for economic growth this year. The consensus expects a quick "V" shaped recovery in the U.S., but the lack of response to the persistent rate cuts suggests that that hope is misplaced. The consumer has reduced spending, despite a renewed boost in borrowing. Capital spending has collapsed.

Foreign economies are also weakening

Overseas, the outlook is no more positive. Japan also closed the year with "negative growth". Despite signs of reform, the problems are deep-seated. And more immediately, the banking system has a negative net worth estimated at over \$1 trillion. The recognition of the need for a lower yen will help, though it is no panacea, especially when the main export markets are weak.

Europe recorded positive growth during 2001, but by year end it was slowing. Unemployment remained very high, and various sectors were turning decidedly negative.

There are long-term positives: slowly, borders are opening and merger activity increasing. But taxes remain higher and regulation more burdensome than elsewhere. I am skeptical on the concept of the Euro. The idea that one monetary policy is appropriate for a dozen nations appears optimistic.

Nonetheless, I see this as a good time to begin to diversify into foreign currencies—China has said it will add Euros to its reserves.

Selective opportunities only in global stocks

So I am not optimistic about a broad-based, sustained economic recovery any time soon. Against this backdrop, markets are not inexpensive. This is true for major global markets as well as for the U.S. Japanese stocks sport outrageous valuations (p/e's over 60 and yields under 1%). Even in Europe, where the economy is firmer, major equities are trading at earnings multiples in the mid-20s.

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	YEAR AGO	CURRENT	
Gold	\$260.30/oz.	\$281.70/oz.	➔
Silver	\$4.54/oz.	\$4.24/oz.	➔
Platinum	\$598.00/oz.	\$458.00/oz.	➔
Palladium	\$1,080.00/oz.	\$384.00/oz.	➔

INSIDE STORY

Your IRA Eyes and Ears in Switzerland

by René Schatt

The past thirty years have clearly demonstrated the need for an international perspective in managing your portfolio. In the past, this global outlook primarily focused on non-retirement assets with limited products available for retirement assets. As a result, your retirement funds...your future, was neglected in the globalization equation. We at Weber Hartmann Vrijhof & Partners (WHVP) are proud to announce that, with our assistance, your retirement assets can now access global markets and a variety of international opportunities...as we have always done with non-retirement funds. Your future is now!

We strongly feel that, while the American economy faces many obstacles (the disappearing budget surplus, the precipitous drop in interest rates, the "out-of-balance" trade deficit, and the "War on Terrorism" in the next ten years, Euroland is poised for an extremely positive decade. We see the Euro on par with the US Dollar in the not too distant future as it becomes a solid reserve asset currency partly due to the currently more attractive interest rates. As a result of the capital inflow this will generate, we expect the European stock markets to improve and Euroland to become a major market force. A United States of Europe, with over 300+ million people, will be a stiff competitor.

Opportunity is knocking at the door!

WHVP is uniquely qualified to guide you in these uncertain times. WHVP is an asset management firm located in Zurich, Switzerland. The company was established in 1991. Our firm has been in business for over 10 years, but our experience in financial markets is much longer in duration since all partners were previously with FocoBank. As part of the Deak-Perera group, FocoBank serviced many North American clients over the years.

The importance of our familiarity with Americans is that we are already sensitive to the needs and concerns of Americans. You do not need to educate us. We already understand your motivations to globalize non- & retirement assets and can help you to structure a portfolio, which will be insulated against Dollar depreciation, yet capitalize on overseas investment opportunities.

We can help you internationalize your IRA portfolio by placing your IRA assets with a Swiss Private bank and then providing you with individualized money management. All of this is done with an understanding of IRS IRA regulations and in conjunction with a U.S. approved IRA trustee/custodian.

How do you get started? Simply call or write us. We will send you information about our services and arrange for you to receive the IRA transfer kit from the U.S. trustee. It is that simple!

**Contact Weber Hartman Vrijhof & Partners Ltd.,
Zurichstrasse 110b, CH-8134 Adliswil, Switzerland, Tel #:
011-41-1-709-1115, Fax #: 011-41-1-709-1113, Email:
whvp@dial.uunet.ch or whvp@active.ch □**

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ship. Nevertheless, on request we also offer one-time case related assistance against a fee for some of our services.

5/ That sounds like exactly what the doctor ordered. Dr. Stoeger, again, thank you for taking the time to share your exciting new venture with IL readers. Is there any last point you would like to leave our readers with?

Absolutely! I just mentioned our global IRA services for U.S. clients. Many Americans are not aware that international investments are acceptable within their self-directed IRA plans. However, thousands of smart and astute American IRA owners have placed foreign annuities and currency certificates of deposit in their IRA for many years. Thus, they are now able to enjoy the numerous advantages of international accounts and annuity policies while fully maintaining the preferential tax deferred status of their IRA plan.

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CDs, Swiss annuities, foreign stocks and bonds, and independent overseas asset management are all available for retirement assets. With the present strong U.S. Dollar, it appears to be a perfect time to take advantage of these alternative opportunities for your retirement assets.

Don't overlook foreign currency and precious metals "tax swaps" to lower your tax obligation. Whether you have gains to offset or

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In the current economic climate diversifying at least a portion of your retirement assets out of the "danger zone" is highly recommended. With the dollar near its peak of strength, it is a very good time to consider buying into Euro, Swiss Franc or the British Pound denominated vehicles.

A visit to our website will get you in touch with us and unveil a multitude of opportunities outside the dollar. The time seems ripe and the tools are available.

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www.euraxxess.com. □**

not, the "tax swap" should be completed when either the foreign currency or the precious metal price is at a lower level than when purchased. At lower prices, the "tax swap" is cheaper to execute, and your loss is maximized. Even if you do not have a gain to offset, you can use up to \$3,000 of loss each tax year, while rolling the remainder of the loss into future tax years.

You work very hard to earn money. You owe it to your family and yourself to work equally hard to keep as much as you can. □

BITS & PIECES

IRA Service

DID YOU KNOW?

You can now place **Perth Mint Certificates (PMC)** into IRA's. The custodian for the IRA is Sterling Trust Company in Waco, Texas.

The significance of this new development is that Americans can now have precious metals in their IRA's stored **offshore** in Perth, Australia. The PMCP is the only government guaranteed precious metals certificate in the world!

Please read the enclosed Media Release. **If you would like further information, call 1-800-831-0007.**□

Special Announcement

We are very pleased to announce the promotion of Rich Checkan to Vice President with Asset Strategies International, Inc. (ASI).

Rich joined us six years ago after a seven year tour with the U.S. Army in Georgia, Hawaii and Korea, attaining the rank of Captain after graduating from West Point in 1987.

Rich was married in 1999 to his lovely wife, Helen and they now have a 20 month old daughter, Gracie.

Rich has done an outstanding job for ASI and our clients.

Congratulations!□

“Water is best. But gold shines like fire blazing in the night, supreme and lordly wealth”

Pindar (522-443 B.C.)

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There are quality global companies selling at reasonable values, though there is no need to be aggressive in buying. Investors need to be highly selective and cautious. In summary, we are expecting another difficult year in the markets, both here and abroad. But the markets will be volatile, so we suspect money can be made in the year ahead, but by nimble trading rather than broad-based buying.

Gold: This time, it's for real

One market about which we are very optimistic is gold. The fundamentals for gold continue to improve. The factors that hurt gold during the 1990s are no longer so clear, particularly the sense that gold is a one-way bet.

Lower interest rates have been critical, reducing potential profits from selling short and making alternative investments less attractive. U.S. short-term rates have turned negative only

First Collectors Guild Shines

Our affiliated company, First Collectors Guild (FCG) experienced record “Bullion Collection” jewelry sales in 2001. This success was a direct result of your suggestions to provide a wider variety of necklaces while adding matching bracelets to the collection.

FCG's website, www.firstcollectorsguild.com introduced in 2001 was mentioned as a positive factor too. Satisfied clients pointed out that the pricing schedule on the website is easy to understand and the color photos make the selection process easy.

FCG continues to listen to your suggestions. With winter half over and spring just around the bend can Mother's Day, Father's Day and June weddings and graduations be far away? There is no more enduring gift than gold and the “Bullion Collection” is the perfect gift for these special occasions.

You can order your handcrafted pure 24k gold jewelry by simply calling 800-831-0007.□

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exhibit survivor bias. It is widely reported that the inclusion of hedge funds in any diversified portfolio should be considered to reduce risk. This is because, typically, hedge fund returns are lowly correlated with the equity markets.

Given the specialist nature of the investment strategies and the unregulated nature of hedge funds, proper due diligence is required in selecting the manager and his service providers. **For more information about hedge funds, contact ASI at 800-831-0007.**□

twice before since the late 1970s—in 1981 and 1993—and each time, the Toronto Gold Index tripled in ensuring months. Gold and gold stocks have already started to respond, and importantly, gold has appreciated even though the dollar has remained firm. If the dollar reverses, then the combination of low rates and declining dollar will be powerful for gold.

Of course, previous gold rallies have disappointed, but prior rallies have been sparked by an event—September 11th, Placer's “non-hedging” policy (later reversed), and so forth. Importantly, there is no such event as gold moves steadily upwards. This time, it's for real.

Adrian Day is president of Global Strategic Management, offering discretionary individually managed accounts specializing in both global and gold portfolios. The minimum account is \$100,000. Please contact GSM, at P.O. Box 6644, Annapolis, MD 21401, 410-224-2037.□

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