THE MORGAN REPORT

HOW TO USE THE MORGAN REPORT

The Morgan Report's world-class analysts and publication help you build and secure your wealth. And we want you to keep it. So we created how to use the Morgan report to help you maximize the benefits available to you as a member.

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How to Use The Morgan Report

Whether you are a new subscriber or a long-term paid member, the information contained in this report will help maximize the benefits available to you at TheMorganReport.com

We often refer to the Membership Report as TMR.

The advantage of online membership is twofold. First, you can access our Web site in addition to the subscription service, from a computer at anytime, anywhere in the world. Second, once you are in the system, we will send you a “hotlink” - a URL embedded in a very brief text message which informs you that the current issue of The Morgan Report is now available. You can then click (Ctrl + L click) on the URL to read it. The system is smart enough to recognize you and your account status. You will be sent directly into the **members-only section** of the Web site.

Customarily, TMR is **published on the first Monday of each month**. Occasionally, we may be early by a day or two, but in 20 plus years of service, we have never missed a publishing deadline.

Asset Allocation

Top Tier - This section is for serious money. Our suggestion is for retirees or fund managers to focus on this section; you might choose to commit up to 90 percent of the money allocated for precious metals mining stocks. Most Members are good with about 70 percent in this classification. You do NOT need to buy each recommendation, although this gives you the best diversification. You would need a minimum of three stocks to diversify, and we think between four and five is probably the best. Pick those with the highest ratings, not the lowest. You MUST follow each purchase with a 15 percent trailing stop.

Mid Tier - These are serious companies with a higher growth rate but also having more risk than selections in the Top Tier. We suggest that those who are working, with good incomes, focus on this list in addition to holding two or three from the Top Tier for safe growth. In other words, we would prefer all of our members to focus on the Top Tier, but we know some investors are more aggressive. There is not a one size fits all approach for every one of you.

Speculations - High Risk/High Reward – only invest money you can afford to lose. To diversify properly, you CAN put equal dollar amounts into EVERY suggestion. No one can pick just one company and expect consistent results. If you want to go lighter and pick a few, then pick four or so and leave the rest alone. The reason we do not take a suggestion from this list once it hits the 25% suggested stop on a speculative situation is because most members have bet money they can afford to lose and we do not see anything better at the time of publication. Once you have a double on any speculation, it is suggested to sell half the original position and ride the rest for "free," this is known as a Free Trade and has been practiced for years in the (penny stock) micro-cap world.

Now I want to stress the Asset Allocation model, because there have been some questions on how we feature these companies. This is a very important consideration for all of our members. First of all, our philosophy from the start has been and continues to be - I believe the facts have borne and will continue to bear this out - that you will make the most money safely in the higher-tier to mid-tier companies. We look for the best companies and many of you are familiar with the names and some are disappointed. Do NOT be—Invest as we teach and you will be much happier with the results than trying to second guess us.

We utilize a sophisticated methodology that sorts this out monthly. These stocks can move quickly even the Top Tier and might be a buy one month and a hold the next month. This is unlikely in the Top Tier but it does happen. Also, you ALWAYS have a 15% sell stop from the time you started your position.

We have often been asked "What should be done when a company makes it to the Top Tier Gold or Top Tier Silver Company and then moves off the list?"

First of all, if a company makes it to the Top Tier category, **it is, in almost all circumstances, for the long term investor a <u>buy and hold the position</u>.**

Now, this doesn't mean that you cannot trade in and out of these stocks with <u>a portion</u> of your portfolio. But we certainly do not recommend trading your total portfolio - we never have!!

If you have a trading orientation, especially with the volatile conditions we now face (and expect to continue seeing) in the precious metals, we believe that trading in and out with a portion of your position can enhance bottom-line results (lowering your cost basis) as well as helping you to become a more skillful trader.

Moving in and out of these top tier Gold and Silver companies is relatively easy, because they are highly liquid, usually in the billion-dollar market cap range. They also have big daily volume so you can easily trade thousands of shares of say, Pan American Silver or Agnico-Eagle. Try doing that with some of the juniors, and you could end up moving the market all by yourself! So, if you insist on trading, this is what we advocate.

Now, once a company has been placed on the Asset Allocation list (not the Speculation section), **you can keep it for a long-term hold.** If there is a significant change with one of these featured companies, we will discuss it in the Portfolio Update.

Another question arising regarding Asset Allocation (top to mid-tier companies) is this – "If an underperforming company is dropped and replaced with a stronger one, can I drop (sell) the weaker company and buy the new choice?"

The answer is, "Yes." We are not going to advocate that you do so, but a few of our subscribers are aggressive Hedge Fund types. They follow our work closely. If one of the Top Tier companies falls off in a given month and is replaced by another one which may be more suitable due to liquidity, price momentum, overall buying or insider buying, in addition to all the other factors we look at – and if you are an aggressive trader – then, by all means, consider using this tactic.

Our job here is to do the very best we can to spot companies that we believe offer the best profit potential. I guarantee that we will not find all of them. We will miss a few, but you don't have to hold every single one to do very well. Also, we don't like long lists. It would be fairly easy to put together a list of 30, 40, 50 or even 100 junior mining stocks…especially since there are over 4,000 in the sector from which to choose! (As one small example, there were over 400 uranium companies, at the top of the uranium market, now there are less than ten.) The simple reality is that **no one** can effectively follow and trade such a large number of positions.

Our philosophy for the Speculative section is almost opposite from that for the Top Tier holdings. By this, we mean that if a speculation falls off the list, either by way of hitting a stop loss or if we remove it based upon our current analysis, it seldom pays to buy it again. Of course, the final choice is yours. To help with your decision-making process, we will give you the reasons why we are taking it off the list

Not long ago, we dropped one of our gold speculations, stating that although it was undervalued and that we planned to hold it, we were nevertheless formally replacing it in that section with a stronger company. We suggested just tucking it away and forgetting about it.

Within a few months, this company was bought out by a mid-tier operator. Therefore, in this case, our own decision to hold on paid off. However, no one in this business is 100% accurate and we are certainly capable of making errors. But as we see it, our primary job is to help you navigate through what, in our view, is destined to become one of the most interesting (and challenging) times in financial history.

Videos of current recommendations and other mining companies of interest are posted for the premium members. We are quite open-minded at mining shows and will put the camera on projects that we know quite a bit about, as well as in a few cases, companies we know nothing about. We do this for our members, so they too can participate in some of the “stories” at the mining/resource shows. If a particular company sounds interesting to you, then, by all means, investigate on your own - but just because we film it, does not mean we will ever recommend it.

What About Physical?

If you are putting a substantial amount into the physical market, please contact us by email and David Morgan will schedule a free phone call consultation so you do not get burned by being talked into the wrong type of precious metals (yes-physical) investment.

How much money should I invest in precious metals?

In Ten Rules of Silver Investing, we are on record as suggesting that 20 percent of a person’s liquid net worth should be devoted to the precious metals. Some feel that it is too low; others think it may be too high. Initially, we thought that 10 percent would be sufficient, but increased that amount many years ago to twenty percent.

One of the best available studies about asset allocation is from Ibbotson Associates. They recommend just over 15 percent. There is no perfect answer to this question. We’ve had some clients tell us they are invested 100 percent in the sector, while others comment that they have committed less than 10 percent. Again it depends upon YOU…in relation to your goals, financial status, and tolerance for risk, as well as your overall comfort level.

Jeff Christian of CPM Group did a study on Asset Allocation from 1968 onward, and in his study, the correct amount of gold was fully 25%. You see our point, almost every investor on the planet is underweight precious metals in their portfolio.

Remember that while all stocks go up and down, a gold or silver selection is likely to be three times more volatile than a Dow stock component.

Now that we've put the above considerations behind us let's look at a few numbers to give you some workable real-life examples.

> *Let's say you have $100,000 in liquid funds to invest.*
>
> *Of that amount, we would allocate 20 percent.*
>
> *That would be $20,000 to invest in the precious metals sector—TOTAL!*
>
> *"Okay, so how much would be devoted to the physical metal, and how much in stocks?"*

Again, this depends upon you! The older you are, the greater the portion you might consider devoting to the metal itself. Why? Because doing so is the safest and most assured method of building and preserving your wealth. Our suggestion is a sliding scale - the younger you are, the more you can devote to stocks. The older you are, the more that might be devoted to the physical metal. Remember, we mean the real thing, or as close as your situation allows.

For example, in the case of a 60-year-old, a 50/50 mix might be suitable. This implies that $10,000 is put into the physical metal, and $10,000 is placed into resource sector stocks.

Before going further, we must examine the ratio of silver to gold in the physical holdings. Silver is much more volatile than gold, so the first question to ask yourself is, "Can I take the ups and downs of the silver market?" Generally, we believe you can, or you would not be a subscriber. Our thought on the "correct" silver-to-gold ratio is similar to what we wrote above. The older you are, the more gold you might consider holding; the younger you are, the more you might favor silver. This is a general idea, and only you know all the factors that might affect your thinking. Our only caution is to have both, because an all-silver or an all-gold holding just does not make sense, in our considered opinion.

So that's the physical metal allocation. We have already discussed how to allocate stock investments.

The bottom line is this…we want you to be responsible for your own investment decisions and use your financial advisors, lawyers, etc. Although our opinion differs in certain core respects from that which most mainstream CFPs (Certified Financial Planners) in the U.S. or their equivalent around the world are taught to believe regarding the banking/investment system as it is currently structured - <u>if you are more comfortable following the advice of such people, then, by all means, do so.</u>

Stop Losses

Logically, new subscribers won't be able to follow us into our suggested companies at exactly the same time as our longer-time subscribers. We focus on long-term-growth companies, and many of our top-tier companies today were at one time aggressive-growth stories that have matured over the past decade.

For the top- and mid-tier companies, a 15 percent stop loss is probably wide enough. Again, adjust this percentage to account for your liking. No one enjoys seeing losses, and many people have chosen to use a tighter stop - loss criteria. The problem for new investors is that they are often unwilling to take a loss. A small loss that hurts now can become a much larger, unbearable one later. We strongly suggest that new investors, especially, do some serious outside reading on the topic.

On the speculative side, we think our model, as outlined, allows our readers to "go for broke" - if and only if applied as we outline. In this case, using a stop loss of perhaps 25 percent might be suitable. These small companies can and will move that much in a week or even in a day, sometimes on no news at all! When things heat up down the line in this sector, we expect to see gains over 25 percent on some of the smaller companies, but that's a story for another day.

Before closing, let's go through a couple of examples . . . Remember, these are only examples.

You must determine what works best for your situation.

Fund Managers/Professionals

These types of individuals would need to stay in the top tier and high market capitalization mid-tier companies. They might participate in a small amount of financing (e.g., private placements) in the junior resource area. We do occasionally offer private placements to our Master Mind Group.

Older, High-Net-Worth Individuals

This group might stay mostly in the top tier with a few selections in the mid-tier for aggressive growth. Depending upon risk tolerance, some gambling money could be thrown at the speculations. Although we very much insist that equal dollar amounts be used throughout, it might be suitable to choose perhaps five companies and then speculate in each, with the same dollar amount.

Younger, Aggressive Investors

This type of investor might do best with more emphasis on the mid-tier companies, and perhaps one or two top-tier selections. This group tends to put too much into the speculative category, so please approach this high-risk section with care. We have had the best results when, after getting a double, we have taken our original capital off the table, giving us a “free trade.”

Summary

Since we cannot be all things to all people, we do not give individual advice. Please be respectful of our time. Many of the questions we receive could have been answered beforehand with a simple search on the Internet. We are unable to address individual questions along the lines of “What do you think of XYZ mining?” The SEC is very strict about what a newsletter service can and cannot do on an individual level, and we must strictly adhere to their requirements. Which means some times our answer to your email will be – we cannot answer your request due to SEC law.

Brokers

At this time send an email to support@themorganreport.com. There are not many brokers that we are comfortable recommending, although we do know a few. Most of our members work off of some type of electronic brokerage system such as E-Trade, or Scott- Trade, etc. In other words they make their own investment decisions.