

Why Pay a Premium For a Commodity?

By Michael Banwell, CFP

Banwell Financial Inc. 05/11

Why pay a premium for a commodity is the title of a recent (03/29/11) article published in the Globe and Mail newspaper, Toronto Canada. Shirley Won, Investment Funds Reporter for the Globe comments that '*several closed-end bullion funds that now change hands well above the market value of the assets they hold.*'

The Sprott Physical Silver Trust, as one example, is trading at a 19 per cent premium to net asset value (NAV). Silver Bullion Trust carries a similar premium to NAV. *Source: Globe Investor

Unlike traditional mutual funds or exchange-traded funds, closed-end funds issue a limited number of shares and can often trade at either a discount or premium to the true NAV.

According to the Globe article industry executives suggest the premiums on closed-end funds are driven by investors in the United States. Investors in the United States who buy Canadian domiciled investments can qualify for a lower capital-gains tax of 15 per cent versus the 28 per cent rate for "collectables," which includes U.S. based bullion funds.

"For U.S. investors, it's a big tax benefit..."

...if I were a Canadian investor, I would not buy at a premium..."

Som Seif, CEO
Claymore Investments Inc.

Putting aside the fundamental reasons for owning gold and precious metals, and the tax implications, Banwell Financial Inc. in Toronto, Canada offers the ideal solution for both domestic and international investors.

Banwell Financial is the only registered investment dealer to be an authorized bullion bars dealer for Bullion Management Group Inc. (BMG).

For investors particularly outside of Canada, BMG BullionBars offer the most secure, cost effective, and convenient method of purchasing and storing investment grade London Good Delivery Standards gold, silver, and platinum bars.

Investors are able to purchase bullion at the spot price on any given day plus transactions cost that are 4 per cent or less depending on the quantity.

This process results in no premium to the NAV.

Historically only institutions and ultra high net worth individuals were able to purchase gold/silver/platinum bullion and utilize acceptable storage facilities. Through Banwell Financial the BMG process replicates what institutions and central bankers have been doing for years.

Investors receive individual deeded ownership to each bar, and secure storage on a fully allocated and insured basis. The Bank of Nova Scotia main branch vault in Toronto provides storage and is a London Bullion Market Association (LBMA) certified vault. Delivery is available.

Utilizing a Canadian Bank for storage provides investors with a high degree of comfort, but in addition to the security of the Canadian banking system Canada does not have a history of confiscating privately owned gold.

Banwell Financial clients are able to purchase bullion bars as easily as regular investment or insurance based products.

Michael Banwell, CFP is a co-founder and partner of Banwell Financial Inc. a registered investment dealer located in Toronto, Canada. For further details on the investment process for acquiring bullion bars please contact Michael at: 416-494-1099 or mbanwell@banwellfinancial.com

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