STARBOARD
ASSET MANAGEMENT

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Starboard Weekly Report Ending November 4, 2016
Charts of the Week

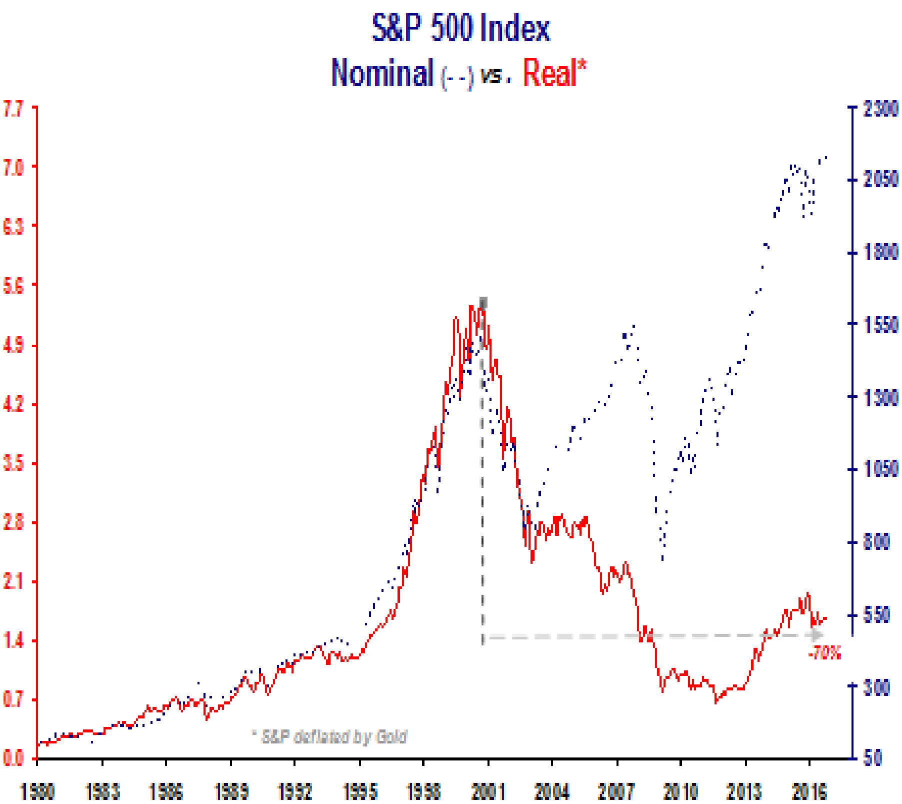

Figure 1: S&P 500 Index Performance since 1980 (Nominal & Deflated by Gold Price)[MacroMavens]

This important chart was created by *Macro Mavens,* an institutional research concern. It is the major investment reason for owning gold, because if you believe as I do that gold is the ultimate store of real value, then you need to know what other assets are selling for in gold terms. Please note how the separation between real and nominal started in 2001, which coincides with the start of the present precious metal bull market.

TECHNICAL

The calculation of total nominal return from 2000 is 43.7%. However, in real terms when compared to gold, that return is a negative 70%. Looking at the annual effect, we get a positive 2.73% per year nominal and minus 4.37% real return annually. The intuitive relationship is: when gold stays elevated at a greater pace than stocks then we will continue to get superior return from the yellow metal. Prior to 2001 and going back to 1980, gold and the S&P 500 moved in tandem. When the separation occurred, then gold became the preferred asset. Another way to look at real vs nominal (not presented) is comparing real returns after inflation. Since 2000, the real return on that basis was -2.3% versus nominal return for the S&P 500 of 43.7% (as noted above). It gets worse when you look at the Dow and NASDAQ combined with the S&P because that average real return for this century is minus 21.1% or negative 1.3% per year. The Dow was positive 9% real while the NASDAQ was down 27.8%. The FED talks about no inflation and raves about the positive effect that they have had on the stock market while the real numbers show a completely different story. So as the song goes: *"When will they ever learn?" "Where have all the flowers gone?"*

FUNDAMENTAL

This is miserable performance for investors but makes a major motivation for owning gold, which is to protect from effects of the inflationary predisposition of Central Banks. Quantitative Easing (QE) works as a short term fix but destroys value in the long run. The most concerning aspect of our chart image is how the current government has used QE as their major economic policy. As we continue to destroy real value then we will become more of a robotic government controlled economy with very little economic growth. As the world focuses on our Tuesday election and its effect on world markets, we will be taking a long term view. That protracted view will keep us bearish until a major economic change takes place. It is likely that that change can only take place as the consequence of a crisis. Holding gold in anticipation of the fall out has been and will continue to be the best investment on the planet.

ASIDE

"Men still have to be governed by deception." 18th Century German Scientist Georg C. Lichtenberg

Our elections are designed to challenge this quote by disturbing the status quo. We will find out on Tuesday if the professional political classes, along with the media, combine to make Mr. Lichtenberg's quote a recurring reality. We badly need to upset the status quo because it is the right vs. left philosophical shift that makes our system of democracy work so well. This country desperately needs a new group of "deceivers".