

# International Value SMA

## Defensive Style

PORTFOLIO AS OF DECEMBER 31, 2011

Please contact your investment consultant or call 1-800-727-7922 and ask about our managed accounts.

**THE EURO PACIFIC INTERNATIONAL VALUE SEPARATELY MANAGED ACCOUNT** is offered exclusively at Euro Pacific Capital and is intended to match the investment philosophy of our President, Peter Schiff. The actively managed product provides turn-key access to Peter's investment philosophy, attempting to generate income and capital appreciation over a long-term investment horizon by selectively choosing foreign companies with minimal exposure to the US Dollar. The International Value Defensive Portfolio is designed to provide exposure to international equity with a relatively higher percentage of the portfolio allocated to sectors that are viewed as less exposed to the business cycle such as Consumer Staples, Health Care and Utilities.

### KEY BENEFITS:

- Turn-key access to Peter Schiff's international strategy
- Oversight from Peter Schiff, Chair of the Investment Committee
- Access to foreign markets not limited by universe of domestic American Depository Receipts (ADR)
- Transparency, with customization to individual investor needs
- Dedicated portfolio manager, disciplined management and quarterly rebalancing

### OPENING AN ACCOUNT

If interested, please contact your investment consultant or call 1-800-727-7922 and ask about our managed accounts.

### STRATEGY OVERVIEW

The Euro Pacific International Value strategy attempts to provide capital appreciation and income outside of the United States, using a top-down analysis to select the best countries and industries and a bottom-up analysis to select the best securities. The strategy seeks to diversify currency risk and takes a long-term investment view with low portfolio turnover.

## INVESTMENT TEAM

### PETER SCHIFF

*CEO & Chief Global Strategist  
Chair, Investment Committee*



Over 20 years of investment experience.

B.A. in Finance and Accounting, University of California, Berkeley, 1987

*FINRA Series 4, 7, 24, 27, 53, 55, 63 & 65 licenses*

### JIM NELSON, CFA

*Portfolio Manager*

10 years of experience in finance & investments. B.S. in Management, United States Air Force Academy, 2000; MBA, California State University; Chartered Financial Analyst (CFA)

*FINRA Series 7, 63, 65, & 87 licenses*

### INVESTMENT PROCESS

The strategy adheres to a controlled investment process with Peter Schiff as the Investment Committee Chairman. Decisions regarding country, sector and stock allocation are presented to the investment committee for approval. The committee typically meets on a monthly basis to review the fundamentals of the portfolio. The committee will review fundamentals and decides upon country and sector focus, after which the manager will screen over 3,000 securities on their fundamentals before presenting 50 to 60 recommendations to the investment committee for inclusion in the portfolio.

#### Sample Country Criteria

- Expected 1-2 year trade surplus
- Real interest rates exceed those of US
- Low debt-GDP ratio
- Favorable GDP growth estimates

#### Sample Industry Criteria

- Favorable growth rate
- Good fit with expectations for secular shifts in supply/demand
- Resource availability
- Favorable political environment

#### Sample Security Criteria

- Favorable dividend yield
- Attractive valuation
- Strong balance sheet
- Superior management

### MODEL PORTFOLIO COMPOSITION

The model portfolios are balanced across Asia, Europe and the Resource Countries (Australia, New Zealand and Canada) to diversify currency risk, while remaining appropriately balanced between non-cyclical and cyclical industries. Please reference style descriptions for more information.

### PORTFOLIO REBALANCING

Portfolios are rebalanced on a calendar quarter basis. Individual positions may be rebalanced when their current allocations exceed the original intended portfolio allocation by 10 percent, provided the manager determines the benefits of rebalancing exceed the additional cost of the transaction(s).

AS OF DECEMBER 31, 2011

## International Value SMA, Defensive Style

### PERFORMANCE % (NUMBER OF ACCOUNTS: 26)

No accounts under Defensive Style strategy as of January 2010.

AS OF 12/31/2011													Inception
	2010	2011	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Feb 2010
Euro Pacific Value SMA Defensive Style Net of Fees	NM	-6.08	3.17	3.38	-15.46	4.16	2.02	-3.94	-13.73	8.85	-2.20	-2.16	7.33
MSCI All Country World ex USA, Net Index	9.56	-13.32	3.49	0.60	-19.77	3.77	-1.33	-8.55	-11.09	10.54	-5.08	-1.10	-0.24

### PORTFOLIO CHARACTERISTICS

Weighted Average Market Cap	27,277
Harmonic Avg. Price / Book	1.59x
Harmonic Avg. P/E (FY1) <sup>5</sup>	11.35x
Harmonic Avg. P/E (FY2) <sup>5</sup>	10.36x
Number of Holdings	47
Dividend Yield	4.38%

\* Smaller accounts hold 35 stocks, larger accounts hold 47

### COUNTRY DIVERSIFICATION

Hong Kong	13.09%	Switzerland	8.01%
Canada	13.05%	China	4.03%
Australia	12.96%	Thailand	3.00%
Norway	12.74%	New Zealand	1.01%
Japan	10.91%	Luxembourg	1.00%
Singapore	10.18%	Netherlands	1.00%
Brazil	9.01%		

### SECTOR DIVERSIFICATION

Consumer Staples	28.92%	Telecommunication Services	6.98%
Utilities	16.13%	Real Estate	6.97%
Materials	15.05%	Information Technology	2.26%
Energy	14.53%	Consumer Discretionary	1.22%
Industrials	7.94%		

### TOP 10 HOLDINGS

SECURITY NAME	COUNTRY	WEIGHT
Asahi Group Holdings, Ltd	Japan	5.00%
Cia Energetica de Minas Gerais	Brazil	5.00%
Nestle SA	Switzerland	5.00%
Woolworths Ltd	Australia	5.00%
Cheung Kong Infrastructure Holdings Ltd	Hong Kong	5.00%
CLP Holdings Ltd	Hong Kong	4.86%
Telecomunicacoes de Sao Paulo SA	Brazil	4.00%
CFS Retail Property Trust	Australia	3.95%
Precision Drilling Corp	Canada	3.03%
Syngenta AG	Switzerland	3.00%

1) Euro Pacific Capital launched the International Value SMA, Defensive Style on February 2010. Inception performance is calculated as of 2/1/2010. As of 12/31/2011, the Defensive Style included 26 accounts and is not meant to be representative of the overall performance figures for Euro Pacific Capital.

2) Holdings represent the 10 largest holdings in the Defensive Style portfolio as of 12/31/2011. These holdings are subject to change at any time without notice and individual account holdings may vary. The specific securities do not represent all the securities Euro Pacific Capital has purchased, sold, or recommended for clients over the past year. The reader should not assume that investments in securities listed above were or will be profitable.

3) Country and regional (Europe, Asia, Resource) diversification represents the countries that Euro Pacific Capital's Defensive Style portfolio was invested in as of 12/31/2011. These country and regional holdings are subject to change at any time without notice and individual account country and regional holdings may vary.

4) Sector diversification represents sector allocations in Euro Pacific Capital's Defensive portfolio as of 12/31/2011. These sector allocations are subject to change at any time without notice and individual account sector allocations may vary.

5) Harmonic mean is a way of averaging multiples, and gives equal weight to each data point rather than greater weights to high data points. For example, with a simple arithmetic mean, companies with high price to earnings multiples would have a greater impact on the overall earnings multiple of the portfolio due to their large size relative to other companies with smaller multiples, whereas the harmonic mean would adjust for this impact by giving equal weight to both the company with the high multiple and the low multiple in calculating the overall price to earnings multiple for the portfolio.

The P/E (price to earnings) ratio is an indicator of how much investors are willing to pay for the opportunity to share in the company's future earnings potential. "FY1" refers to the P/E ratio calculated using the company's current year earnings as projected by analysts. "FY2" refers to the P/E ratio calculated using the company's earnings as projected by analysts two fiscal years forward.

The Price / Book ratio is used to compare a stock's market value to its book value and is commonly used to compare a company's valuation to other peers within its industry.

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The MSCI ACWI ex-USA Index consists of approximately 2,000 securities across 47 markets, with emerging markets representing approximately 18%. MSCI attempts to capture approximately 85% of the market capitalization in each country. The MSCI ACWI ex-USA Index is a trademark of Morgan Stanley Capital International. The strategy referred to herein is not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such strategy or any index on which such strategy is based.