



The Casey Research Guide to Investing in Canadian Stocks

(for Non-Canadians)

Welcome to Casey Research!

As you become familiar with Casey Research, you'll find that many of our stock recommendations – especially those in our advanced publications and alert services – are for Canadian stocks. The reason is that much of the “action” in both the energy and the mining sectors takes place in Canada, because that's where a great deal of exploration for these resources happens — very often by Canadian companies. So if you are going to take advantage of many of our stock recommendations, you will need to trade on the Canadian exchanges. This is not difficult, and in this report we're going to tell you exactly how to do it, and much more.

In the pages that follow, you'll read ...

- 🍁 Why we invest in Canada
- 🍁 Things to watch out for and be aware of
- 🍁 Choosing a full-service broker or an online account
- 🍁 How to start buying

Why Buy Canadian Stocks?

Roughly 10,000 stocks trade in the U.S. markets, and over 3,600 trade in Canada.

Yet, of the 115 stocks currently tracked by our six resource-focused publications, 55 trade exclusively on the two Canadian exchanges, and only 29 can be traded directly on the U.S. exchanges. (Another 31 could be traded over-the-counter in the U.S., but we recommend you avoid this. More on this later.)

Then why do we recommend so many Canadian stocks?

 **CASEY TIP**

Sixty percent of all public mining companies in the world are listed on the Toronto stock exchanges. Of the 3,640 companies listed on the TSX, almost 1,500 are mining stocks.

It's simple: Canada is the world's largest exporter of minerals. That resource focus has made the Toronto Stock Exchange (TSX) and Toronto Venture Exchange (TSXV) Meccas for the junior mining industry.

Incredibly, 60% of all public mining companies in the world are listed on the Toronto Stock Exchanges. Of the 3,640 companies listed on the two Canadian exchanges, almost 1,500 are mining stocks. Another 10% are oil and gas companies.

It was also the Canadian Securities Administration that started the National Instrument 43-101, the accepted global standard used to govern all official mining disclosures. And buying resource stocks is a virtual pastime in Canada itself: half of all Canadian citizens own at least one mining stock.

There are other reasons for Canada's dominance in the resource sector. For example, the regulations for starting a company in Canada are much less burdensome and less expensive than in the U.S. so most new junior companies – even if their projects are not located in Canada – head north of the border for their listings. We know of any number of companies with all their projects located in the U.S. that are listed only in Canada.

Of all the new mining companies started last year, 88% began on the TSX or TSXV. And ironically, the Canadian exchanges are better monitored than the comparable U.S. bulletin boards (one of many reasons we avoid the latter).

This more favorable regulatory and financing environment has resulted in a concentration of mining companies, with most corporate headquarters situated in Toronto or Vancouver. And it's not just the corporations that favor Canada; Canadian investors are far more tuned in to the sector than any other market in the world. As proof of that point, resource conferences in Canada typically pull in between 5,000 and 12,000 attendees, while similar conferences in the U.S. might have 1,000 show up.

The senior exchange is Toronto, expressed with a "T" in the symbol, such as Osisko Mining Corp: T.OSK or OSK.T. The Venture exchange, where most micro-cap and start-up companies are found and where venture capital is raised, lists its stock symbols with a V, like Brett Resources: V.BBR or BBR.V. As companies on the Venture exchange advance and grow, they move up to the Toronto exchange. You'll see recommendations from us on both exchanges, and we'll always provide the symbol.

The second reason we invest in Canadian stocks is one you can probably guess from reading any of our publications:

 **CASEY TIP**

We believe the dollar will lose value. By buying stocks in the Canadian dollar, you will not only protect your investments, but will increase your profit potential as well.

Your editors at Casey Research can't stress this enough: it is imperative that you diversify out of the U.S. dollar. Did you know that from 2002 to late 2010, the Canadian dollar gained 58% against the U.S. dollar? Imagine the profit from a stock that doubles in a year and *then* earns another 10% from the currency exchange rate! (It works both ways, too, but we'll discuss the risks in the next section.)

By purchasing your stocks directly on the Canadian exchanges (and thus in the Canadian dollar), your investments are not only protected against the U.S. dollar losing value – they will appreciate with every tick down of the greenback. We think this is not only a basic tenet of proper diversification, but also a wise one in the current investment environment.

So it's our primary goal in this guide to make it easy for you to buy and sell Canadian junior mining stocks. To do that, you must have an account with a brokerage that will let you buy them. This is no longer difficult, cumbersome, or expensive. After taking just three simple steps, you'll be able to participate in – and profit from – the tremendous potential available in the junior resource sector.

But First, a Few Things to Be Aware Of...

Because of recent advances made with Internet trading, buying Canadian stocks on the Toronto and Venture exchanges is easier than ever before. And there are significant benefits to working with a full-service broker who is an expert in buying and selling Canadian stocks. (More on that topic in a few moments.)

But regardless of the approach you take, there are some snags you should be aware of.

Caution #1 Approach the U.S. Pink Sheets, Over the Counter Bulletin Board (OTCBB), or any 5-letter symbol stock with caution.

Many brokers and investors say they obtain their Canadian stocks by buying on the pink sheets. In most cases, they're not buying the Canadian stock; they're buying a representation of the original company's shares, and

buying it in American dollars, to boot. (It's important to note that some brokers do use the 5-letter symbol to enter an order, but still purchase the stock in Canada in Canadian dollars. More on this later.)

Pink sheet stocks use a five-letter symbol ending in "F," signifying it as a foreign stock (it may also have the suffix ".PK"). These "stocks" are not required to list with the SEC, and don't have to submit quarterly reports. This lack of transparency in the pink sheet market makes them the darlings of stock scam artists.

Shares of pink sheet stocks trade separately from the shares in Canada, and can sometimes have a drastically different price. And the spread (the difference between the bid and the ask price) is usually wider than it is for the Canadian stock, putting the U.S. investor at a disadvantage.

Furthermore, quotes are only updated once a day, which obviously hinders your buying and selling ability. Trading ability is further hindered by the fact that pink sheets often trade at a far lower volume than the stock they represent, often making pink sheets more difficult to sell. Best to avoid them.

Similarly, stocks trading on the Over the Counter Bulletin Board (OTCBB) are actually companies that have fallen off the Nasdaq and been de-listed. Thus, these companies are not required to have annual sales, or to even list what – if any – assets they have. They are signified by the suffix ".OB" on their symbols. These are high-risk securities, and in general it's best to avoid them as well.

However, you will at times see both .PK and .OB stocks listed in our portfolios. They're there for subscribers who are unable to trade on the TSX or TSXV — a situation we hope to rectify with this report.

What about buying ADRs? An American Depository Receipt is a negotiable certificate issued by a U.S. bank, and represents a specific number of shares of the foreign stock trading on a U.S. exchange. So technically, you're buying the *bank's* shares of the foreign shares. The other obvious issue is that ADRs are denominated in U.S. dollars. We thus try to avoid making recommendations with ADRs (although it's not always possible).


CASEY TIP

Buy your Canadian stocks on the Canadian exchanges. This also applies to other countries; buy your stocks on *their* exchange.

Bottom line: if you want to buy the stocks we're recommending, buy the company's shares on the Canadian stock exchange (TSX and TSXV) with Canadian dollars.

Caution #2 The currency spread works both ways; it is therefore possible to lose money in the currency exchange when you sell.

When you buy a stock directly on a foreign exchange, your dollars are converted to the money of that country just before the purchase. In the scenario now unfolding, this is what we want. But there is a risk and you need to be aware of it.

» Here's a quick example: let's say you purchase AuEx Ventures (V.XAU) at an even exchange rate with the Canadian dollar; in other words, for every U.S. dollar you invest in the purchase, you are given one Canadian dollar.

If, by the time you sell the stock, the U.S. dollar has risen 5% against the CN dollar, you have lost 5% in currency appreciation, on top of your stock gain or loss.

But if, by the time you sell, the U.S. dollar has fallen 5% against the CN dollar, you have gained 5% on top of your stock gain or loss.

This, of course, is the same risk that anyone diversifying a portfolio globally has to accept. That said, every comprehensive study on sound portfolio management recommends an allocation of between 20% and 40% in foreign securities. In addition, based on the extensive work we have done at Casey Research, we believe the U.S. dollar is now in a secular bear market. That makes diversifying globally more important than ever.


CASEY TIP

Confirm that your broker is buying your foreign stocks in that country's currency.

Someday, we'll buy back into U.S. dollars. But for the foreseeable future, we see risk lying with the greenback.

Caution #3 Expect commissions to be higher than purchases made in your own country.

While commissions and fees have dramatically come down in the last few years, you will still pay more to purchase foreign stocks than in your own country. This makes sense when you think about it: you don't live there, you're not a citizen there, and there's usually a little more involved for the foreign markets to accommodate you.

Commissions and fees are simply the cost of doing business with that foreign exchange. However, this doesn't mean you should pay more than the going rates. While commissions vary with every broker – online or full-service – you don't want to overpay. You simply have to be aware that you likely won't be able to buy foreign stocks as inexpensively as ones in your home country.


CASEY TIP

You should never pay more than 3% to a full-service broker. And you should strive to pay no more than 1% for online purchases (which isn't always possible, but that should be the goal).

This does not necessarily mean you should be buying foreign stocks online; there are many reasons investors may choose to use a full-service broker, and we'll cover this shortly so you can make the most appropriate decision for you.

Caution #4 Beware the Thin Man.

Microsoft trades an average of 50-100 million shares a day. Traders swap 100-200 million issues of GE daily. The average Canadian mining stock? Maybe 100,000 to 200,000 shares – that's it. Further, the volume drops dramatically during the quiet summer months, or when the resource sector runs for cover and new buying dries up. Then it can be as low as 10,000 shares a day. In such a thinly traded market, one buyer or seller can move the stock 5%, and stocks moving 20-30% a day are not uncommon. This means you must exercise a little caution when entering a trade. It's wise for you to look at a company's stock-trading history before you buy or sell.

However, trading in a thin market can also work in your favor. Placing bids well under market (you'll hear us refer to those as "stink bids") is generally good advice. If we recommend a stock be purchased "on weakness," place your buy order at the low end of the bid spread. Why? Because in a thin market, a few sellers can lower the share price and give you an excellent opportunity to get a good company at a bargain basement price. (For more on this subject, see our special report, [Tips for Buying and Selling Stocks.](#))


CASEY TIP

Unless we specify otherwise, never buy these stocks "at the market." Always buy or sell with "limit" orders only.

If you buy "at the market," the market makers can – and frequently do – fill you at the highest possible price, even when the stock is dropping. You want to get the best price.

Caution #5 Expect volatility.

Because of their thin trading nature, and for other reasons as well, junior resource stocks can be extremely volatile. But don't let this scare you off; in fact, learn to make it your friend. This volatility can give you a double (or more) in 12 months' time – or sometimes just a few weeks. It's what will drive our selected juniors to dizzying heights when the mania phase of the current resource bull market hits.

The point for now is, don't react emotionally to volatility, up or down. Understand this is just the nature of the beast. After all, this isn't your average American blue chip and it's not going to act like it. Expect it to move dramatically on some days, and learn to use this to your advantage. If a stock moves up too fast before you can buy it, wait to let it cool off and try again later. And if it drops after you've established a position, don't sell, unless there's company-specific bad news and we say so. Understand that it's just behaving normally in this industry.


CASEY TIP

Don't rush into a stock.

Of course, you can use this volatility to your great advantage by buying more of a quality stock on a dip, or taking advantage of a big spike in price and volume to sell for a profit. One of our favorite techniques is to sell half of any

position that earns you a quick double, then hold on to the rest for more upside. Or, if the stock has done what you hoped it would, sell your entire position on a spike, and look to reallocate in other, more pressing, opportunities. These are the sorts of decisions we attempt to help you with in the pages of our newsletters.

Caution #6 Beware the tax man.

Although it's not always the case, your holdings of a foreign stock may make you subject to U.S. tax if the company is considered to be a passive foreign investment company (PFIC). A foreign corporation is deemed a PFIC if (1) 75% or more of the company's gross income is passive income, or (2) 50% or more of the company's assets produce — or could produce — passive income, or are assets that produce no income.

This piece of tax code was meant to place owners of offshore investment funds on equal footing with owners of U.S. investment funds. However, it could apply to a company whose stock you own — particularly if it is a cash-rich company looking for acquisitions or exploring for resources.

Reporting requirements are neither onerous nor complex, but they should not be ignored. Be sure to discuss the subject with your accountant or advisor.

With those cautions in mind, it's time to get started on the three key questions you'll need to answer before you can begin trading Canadian stocks.

 **CASEY TIP**

Unless you are very knowledgeable or your investments will be very small, we suggest you use a full-service broker.

Full-Service Broker, or Online Broker?

Whether you use a full-service or an online broker depends in large part on the extent of your Canadian trading, and your level of experience.

In general, commissions will be lower with an online broker, and many investors just like controlling the process themselves.

But for larger accounts with lots of positions, or anyone who will be dealing with warrants or private placements (which are actively tracked in our alert services), we highly recommend using a full-service broker. The more money you have on the table, the more important it is that you work with a broker who is thoroughly plugged in to trading small-cap Canadian stocks.

Many investors use both. They might go online for a small trade — or for a large trade of a high-volume stock — and use a full-service broker for thinly traded stocks or more complex transactions.

Either way, here's what to look for.

Full-Service Brokers

A good broker will give you recommendations, provide feedback to your thoughts and suggestions, and give advice about when to buy and when to sell. He'll also be of considerable help when it comes to selling.

Buying stock is easy, but it's in selling that you make money — and selling a thinly traded stock can be difficult. The right broker will likely sell your stock at a better price and terms than you could on your own.

A good broker can also be instrumental in getting you into private placements, and when it comes time to register and sell the stock or exercise your warrants, an experienced broker can make things far easier than going it alone.

You should expect your broker to add value to your portfolio. When all is said and done, a good broker should pay for himself.

The editors at Casey Research have worked with any number of brokers and brokerage firms over the years, and there is a solid handful of very good brokers who can help you a great deal.

[See an up-to-date list of recommended brokers and contact information on the Casey Research website.](#)

Here are what we consider to be the top 10 questions to ask any potential broker:

1. Can I buy foreign stock on the domestic Canadian exchange through your firm? What other foreign countries' stocks can I buy through your firm?
2. How much trading does your firm do on the Canadian exchange? How familiar are you with the securities practices of the other foreign countries you do business in?
3. Have you worked with other clients who subscribe to Casey Research?
4. Is your firm licensed in my state?
5. What is the minimum to open an account at your firm?
6. What are the fees for me to buy foreign stocks through your firm? Are you able to avoid market maker fees and foreign currency transaction charges? What maintenance fees do you charge? Are there any other "fine print" charges with your firm that I should be aware of up front?
7. Does your firm have a specialist who participates in private placement offers? If so, what is the minimum generally needed to participate?
8. What are the names of three private placements you were able to get your clients into over the last 12

months? How have they done? (Not all private placements are created equal, and the best placements are very hard to get a piece of; doing so says you have a well-connected broker.)

9. Do you keep my account in the U.S. or in Canada? If in the U.S., are there any options available to keep my investments with you outside the U.S., or at the least, in a foreign account?
10. What does your cash account currently pay? Does it have any exposure to subprime mortgages or CDOs?

 **CASEY TIP**

If you want to participate in private placements, you will have more opportunities with a full-service firm.

Private Placements

If you subscribe to one of the Casey Research Alert services, you will often see recommendations to participate in private placements. These are special financings that companies undertake to raise money to advance their business plans — and they can be an exciting and lucrative — as well as risky — part of investing in the resource sector.

Private placement offerings are usually denominated in units, which consist of a share and either a half or a full warrant. A warrant is a derivative security that gives you the right to buy additional stock from the company at a specific price, and within a specific time frame — generally from one to five years. So, for example, the deal might be an offer for units of 10,000 shares, each with a full warrant — meaning you could buy an additional 10,000 shares at a set price within the given time period. With a half-warrant, you could buy an additional 5,000 shares.

The units are usually priced at a discount from what the stock trades for in the market. This is done in order to entice large institutional and strategic investors into the financing. It can also compensate for the con side of the balance... for instance, the fact that there is typically a minimum four-month hold before shares purchased in a financing become free-trading.

That said, there are few more lucrative ways to invest in Canadian stocks than through private placement financings that allow you to pick up a share and a warrant. After the hold period, you can often sell the share at break-even, or at a profit, and ride the potential of the stock through the warrant. These financings are in high demand, and the better ones are very hard to get into. The Casey Research Alert services pay special attention to these offerings. Letting the offering company know that you are a subscriber is often a good way to get a seat at the table.

In order to participate in a private placement, you will need to be an accredited investor, which for individuals means that you must have a net worth of \$1 million, or a hefty income for the last two consecutive years. If you qualify, becoming accredited is a simple matter — you simply sign a form. Trusts and business entities become accredited by similar means.

 **CASEY TIP**

If you use an online broker, make sure the stock you're buying is the Canadian stock, traded on the TSX, using Canadian funds.

Online Brokers

Generally speaking, with an online account you'll pay lower fees and commissions than you would on similar trades transacted at a full-service firm. Paying lower commissions will be especially important for those who are not starting with a large dollar amount, or who plan to be active traders. Of course, doing your own trading online brings the responsibility of monitoring your own investments, which is especially important in the resource sector.

An online account is also a good way to place small orders for stocks that have good volumes, and as a result will be easy to sell when the time comes.

A good online brokerage will give you all the tools you need to do your own research, as well as to buy and sell at any time. You can even set orders at night, when a full-service broker wouldn't be available. Those who trade online say this is what they love most – the freedom to make their own choices and the ability to set trades any time they choose.

This is a good time to repeat:

Regardless of the broker you use, you want to be certain that you are buying the actual Canadian stock on the Toronto Stock Exchange, and in Canadian currency.

With many online brokers, it can be very difficult to know exactly what it is you're buying — over-the-counter pink sheet, or the actual Canadian stock. Here's why:

Many (but not all) online brokers use a 5-digit international symbol when placing an order for a Canadian stock. The reason is straightforward enough, and here's an example: GLW is the symbol for Gold Wheaton — a Canadian company — on the TSX. GLW is the symbol for Corning, Inc. on the NYSE. The international, unique, 5-letter symbol for Gold Wheaton is GLDWGF. That is also a pink sheet symbol for Gold Wheaton — as is GLWGD and a few others.

The explanation for using the 5-letter symbol varies, depending on who you're talking to. Some online brokers will insist that although they use the symbol to place an order, they are nonetheless routing the order to the TSX, buying the actual stock on the TSX, and doing the transaction in Canadian dollars — even though your online statement says you bought GLWGF and paid for it in U.S. dollars. Some say they use the 5-letter symbol for clarity when routing the stock purchase, and further, since they use an American clearinghouse, they must express the transaction in U.S. dollars. Others say they trade on the TSX, and use the 5-letter code "for display purposes."

How can you tell what you're buying? The bald truth is, you can't always tell for sure. But the best clue is to look at the volume on the 5-letter symbol you bought, or are contemplating buying, and compare it to the actual Canadian stock. This is easy to do on the TSX website — <http://www.tmx.com>. Plug in the Canadian stock symbol, and every variation will appear.

In the GLW example, you'll see GLW, GLWGF, GLWGD, along with a number of other variations listed — some containing GLW but have nothing to do with Gold Wheaton. The quote page for each will show you the price and the day's volume. If the 5-letter variation has about the same price and daily volume as the real TSX-traded GLW, chances are it's the same stock — which is the case with GLWGF. If it's radically different and the volume is significantly lower — as is the case with GLWGD — you can be sure you're looking at the over-the-counter pink sheet that does not represent the Canadian stock.

Using this method (which isn't nearly as cumbersome as it may sound) you'll get a better idea of what you're buying, but it's still not the real thing if it doesn't trade on the TSX.

All that being said, there are a few online brokers who do indeed buy the Canadian stock on the TSX, show the Canadian symbol on their statements, and show the amount in Canadian dollars. If you want to avoid any question about what you're buying — and we recommend that you do — go with one of these online brokers.

You'll find all the details about how various online brokers trade Canadian stocks in our [brokerage recommendations list](#) on the Casey Research website.

There is something to be said in favor of both online and full-service brokers. While an online broker may cost less, a quality brokerage firm can assure you of just what you're buying, give you a second opinion on your portfolio decisions, help monitor your portfolio, answer your questions, address your concerns, and keep you informed of any issues happening in the industry. Depending on the broker, you may pay more in commissions, but — also depending on the broker — you may sleep better and ultimately see greater returns on your Canadian investments.

One Final Tip...

Whether you're with a full-service broker or trading online, it's important to understand that most of these stocks are not "buy and forget" investments. You have to monitor your foreign resource stocks — including those bought through a live broker. Things can change rapidly with a company — good or bad drill results, changes in the political climate, *etc.* — and you'll occasionally have to move quickly to sell a holding, or perhaps add to a position when it's at a favorable price. The most successful investors in this sector pay close attention to their investments.

Along these lines, we'll point out that the *Casey Portfolio* page on the Casey Research website is designed to do just this. We encourage you to log in and review that column regularly. (More on this later.)

Some Advice from Brokers ...

We've asked a few of the brokers we've known for a long time to offer advice for those new to purchasing foreign issues. Even if you want to trade online, we encourage you to read the advice offered here, since these are some of the most knowledgeable brokers in this sector. Here are a few of our questions, and their answers ...

1. What are the biggest mistakes you find people make when they begin to invest in the resource sector?

Jeff Howard/Global Resource Investments: The most common mistakes new resource investors make include: not understanding the risks and volatility inherent in the sector; not understanding the difference between a rank explorer and a company that actually produces or at least holds proved reserves; having unrealistic expectations on how much they can make or lose on resource investments; and the danger in trying to interpret technical data released by resource companies without assistance from an experienced geologist or engineer.

Seth Allen/Raymond James Financial: The biggest mistake people make is not properly assessing the risks, and allowing fear and greed to govern their decision making. Quite often, a stock with less risk and disliked by the market at a given moment in time is the hardest to buy; likewise, a very high-valued stock that is popular with investors in the market is the hardest to sell (or at least take some profits), as the greed of wanting more takes hold, along with the fear of not wanting to be the only one wrong if they sell too early.

Scott Hunter/Haywood Securities: Most people do not understand what they are investing in and what will drive the price of the stock in their favor. They also do not understand the risks involved.

Ben Johnson/First Securities Northwest: Not keeping your inherent emotions of fear and greed in perspective.

2. What advice would you give to a new investor buying foreign stocks?

Jeff Howard/Global Resource: Use a brokerage firm that can trade directly on a foreign exchange instead of through a market maker in the U.S. Also, ask about exchange rates and fees, in addition to commissions, that may get buried in your fill price.

Scott Hunter/Haywood: I would recommend investors new to the resource sector either take the time to learn all the facts and really study the opportunities they are pursuing, or find someone competent with a track record to do it for them.

Ben Johnson/First Securities Northwest: Use a broker who not only knows how to get good executions on trades, but knows about the foreign stocks you're interested in.

Seth Allen/Raymond James Financial: First, look at the currency you are buying in terms of the risk of significant currency changes. For example, anyone with U.S. dollars who bought Canadian stocks last year would have received about a 20% lift in their investment just based on the currency changes between the USD and CDN. Second, either on your own or through an advisor, learn how the foreign market operates; for example, the rules

for the NASDAQ are very different from the NYSE, and both are quite different from the TSX. This can make a big difference in how you buy/sell large stock orders and the strategies you employ to get the best price. Last, make sure there is some kind of disclosure requirements on the foreign investments, or you risk walking into a stacked poker game.

3. Generally speaking, why would you recommend someone go through a full-service broker to buy foreign stocks, rather than an online service?

Scott Hunter/Haywood: An online firm will save you a small amount of commission, but will not bring you any ideas or useful information that is worth much more than the small commission savings. You will not even get the best trade execution.

Ben Johnson/First Securities Northwest: It is important for your financial health to learn from, get informed and be advised by an experienced, specialized full-service broker to reduce “mistakes” and the inherent risks.

Seth Allen/Raymond James Financial: I am biased, but full service absolutely... would you rather have a diet of McDonald's or fine dining? An interesting phenomenon is that ex-brokers rarely use online services and opt for full service... they know the advantages of having a good adviser.

Jeff Howard/Global Resource: We recommend that investors use full-service brokers to buy any stock, foreign or domestic, if they need assistance in stock selection, portfolio design, risk management, and selling advice. Properly managing a portfolio can be a full-time job. Most people already have a full-time job and can't dedicate the time and effort to take on a second one.

4. What advantage do you believe your firm has over other full-service brokers?

Ben Johnson/First Securities Northwest: We are the only full-service firm to also offer discount online trading of Canadian and U.S. securities. On each trade, in one account, you can decide which service suits you best. First Securities Northwest, in business for over 30 years, has specialized in resource and Canadian stocks, and we have all the advantages that other full-service firms have.

Scott Hunter/Haywood: Our firm has an outstanding team of experienced resource brokers and analysts. We also see a lot of ideas early.

Jeff Howard/Global Resource Investments: We are a full-service firm that specializes in both the resource sector and closely held value plays. We have defined segments of the market in which our competition is limited, and we've staffed our company with people who strive to know more about the participants in those segments than anyone else. Our account executives, who often have technical degrees and practical field experience, are groomed to be advisers rather than sales-driven stockbrokers. We believe that avoiding a potentially bad investment is just as important as making a good one, and we spend much of our time talking clients out of ideas. Sacrificing near-term commissions for a successful, long-term business relationship is very important to us.

What Do I Buy, and When?

At any given time there are likely to be 100 to 200 stocks that are being tracked on Casey Research portfolios. Some will be Buy recommendations, some Buy on Weakness, some Sell. If you're new to Casey Research, don't feel overwhelmed. We certainly aren't recommending you buy all of them, and you should never feel like you have to buy every deal. But how do you know what to buy, if you're just getting started? Well, we have a solution for you that's relatively simple:

 **CASEY TIP**

For starters, review the "Best Buys," and buy the ones with the stories you like the most.

A stock with a "Best Buy" recommendation doesn't mean the company is better than one whose stock simply has a "Buy" rating. It's rated that way because its price is at a particularly attractive level at this point in time. Therefore, you can pick up what we believe is a quality junior on sale.

And the best way to determine which Best Buys to add to your portfolio is to read their original write-ups. One way to do this is to review the most recent quarterly update, and then check the updates on the *Casey Portfolio* page at caseyresearch.com (just click on the name of the company to view original coverage and updates) to be sure that there are no changes in our recommendation since that report was published.

This will give you a lot of information on which to base your initial purchasing decisions. At that point, we suggest you simply buy the ones you're most attracted to, or whose stories you like the best.

What sort of criteria should get your attention? Well, you might favor gold over silver, or uranium over coal. Or you might decide to simply follow the most proven management teams. You might prefer companies operating in "safe" jurisdictions, such as Nevada or British Columbia, or decide you want to try and buy a great company on the cheap because its major deposits are located in a "challenged" jurisdiction such as Bolivia, Venezuela, or Russia. Remember, all things being equal, there is a direct relationship to risk and reward ... the higher the risk, the higher the potential reward.

Once you're ready to make your first purchase, we then suggest ...

 **CASEY TIP**

Try buying your first few stocks by placing "stink" bids — that is, around 20% below the current price.

Or you may want to start with just a limit order. But whatever you do, don't chase after a stock, especially if it's rising rapidly. Your editors much prefer to buy stocks when they're dropping, rather than when they're rising. Why? Because you can get a better price. Even when prices are dramatically rising, the volatility of these stocks

almost always means that if you wait a day or a week, you'll likely be able to pick one up cheaper than after it has had a sharp run up. We encourage you to read our Special Report on [Tips for Buying and Selling Stocks](#) on this subject. If you miss getting into a stock, that's okay — you can't get into every stock at the very best price, nor should you try. Besides, sometimes a junior will cool off later and drop down to our recommended price level. Provided nothing else has changed, that may be the best time to buy.

So, you've made your purchase, and then the stock starts to slide. What should you do?

 **CASEY TIP**

Don't panic if the stock drops; monitor the company and our recommendation.

Keep in mind what we said in the beginning: these are volatile stocks, and at times they can be *extremely* volatile.

But remember, unless there's company-specific bad news, we're probably not selling (check the *Casey Portfolio* page to confirm). In fact, there will be times – although not always – when we may recommend averaging down, if it's a quality company and there's no legitimate reason for the drop.

The point is, don't panic and sell just because it goes down; monitor the company and our recommendation. [Ed. Note: if you feel like you're "[gambling](#)" instead of [investing](#), that's not the sign of a healthy speculator. A sure symptom is taking big risks and expecting overnight returns.]

 **CASEY TIP**

Learn as much as you can about your companies.

You now own a junior resource company (or developer or producer) trading in a foreign country. So, act like it. Meaning, you should read up on the companies you own and learn as much about them as possible. Most importantly, you need to know why you own the stock. Is it because you are expecting the company to outline an economic deposit with their current drill program, or just to verify that the mineralization is consistent with their geological theory? Is it because it has a great management team that you expect will cycle through a number of properties looking for the BIG ONE? Or is it because the company has drilled a spectacular hole and is drilling "step-outs" (new holes a certain distance from the discovery hole) that you expect will confirm the mineralization?

Also, if you haven't already, we strongly suggest you educate yourself about our proprietary method of evaluating the companies we recommend. To find this, just click on [The Eight Ps of Resource Stock Evaluation](#). We believe it will not only make you a more astute investor, but also make you more money.

 **CASEY TIP****Understand the “Seasons of Gold.”**

From time to time you'll read the term "Shopping Season," a phrase coined by your Casey team to describe the slow summer months when the trading volume in resource stocks – especially those of the junior variety – dries up and prices fall.

This, in our view, is the ideal time to hop into the station wagon and head on down to the Resource Stock Outlet to buy large baskets full of the best resource stocks at a discount, in anticipation of the fall rally.

But if you are buying low, when should you sell high?

There are several answers, depending on your circumstances, but we will attempt to provide some general guidelines. These are, to many of you, stating the obvious. But they must be stated, because even experienced investors can get caught up in the excitement of a bull market, forget to sell, and risk waking up one morning with their paper profits in a pile of ashes.

First and foremost, if you don't sell, it isn't a profit.

Second, recognize that volume is the most important factor in selling the high-octane junior resource stocks we love and follow in [Casey Investment Alert](#), [Casey's International Speculator](#) and [BIG GOLD](#), and, in the energy sector, [Casey's Energy Confidential](#), [Casey Energy Report](#) and [Casey's Energy Opportunities](#).

In October, volume rebounds from the summer slump, then continues to run above the norm into March. Thus, if you are going to lighten up on a position, those are the months you should do so. The closer you get to the end of March, the greater the risk that others will beat you to the exit.

Similarly, there is a rush of tax-related selling that kicks in around the end of the year. If you are "underwater" on a position and need the tax loss, or simply want to take some profits, then selling in November will give you a better chance for an orderly exit than crowding at the end of December.

If you are deep into profits in a position and want to reallocate, don't wait for us to tell you to sell... because we have our eye on the longer-term bull and have no way of knowing your cash needs.

But should you sell? Or, now that the golden bull is running hard, hold on?

It depends on your circumstances and your goals.

If you are following our constant guidance to invest only in this sector with money you can afford to lose half of, and you are invested in quality stocks that you understand, then hanging on for the full ride is probably the way to go.

That's because selling, in the trader's hope of stepping out of the way of seasonal weakness in order to buy the stock again for less, often doesn't work out. Inertia is a powerful force.

But if you are invested in the junior resource sector with money you really can't afford to lose – and we're sure there are those of you who are – you can, and probably should, regularly rebalance your portfolio, pulling cash off the table as you do, in order to keep a constant amount of money in the market.

Of course, if you are looking to break your personal poverty and get rich by leaving all your chips on the table, it is hard to argue with that strategy either... though we remind you again of the first point above – it's not a profit until you actually sell.

There are few, if any, other sectors where, when the bull is running, you can make as much money as you can in the junior resource stocks. But you have to be willing to accept the risk. If you are not, then don't forget to periodically sell enough to diversify your portfolio.

Last of All, Don't Forget...

Congratulations! You're well on your way to becoming a knowledgeable speculator in Canadian resource stocks. You probably now know more than 90% of the people who invest in this sector.

To give your investment in Casey Research and the junior resource industry the best chance of success, we offer you these parting suggestions:

- Use one of our [recommended brokers](#) — both online and full service — on our website.
- [Check the *Casey Portfolio* regularly](#). Between editions of newsletters, this is your source for updates on all our recommendations. We review the companies' press releases and provide our comments. This is where you'll see if we're changing our recommendation on a stock, before the next newsletter comes out.
- [Use the *Research & Tools* area on the Casey website](#). In this area of our site you'll find, among other things, our Resource Dictionary, where definitions to common exploration and mining terms can be found, and the very handy "What is that rock worth?" calculator.
- [Accept that they won't all be winners](#). No one can be right 100% of the time. We do some serious due diligence on every company, before it passes our stringent test and becomes a recommendation. But even then, things don't always work out the way we thought, and we have to sell at a loss. We believe we'll have many more winners than losers, and our track record bears this out. But we caution you to be realistic and not mortgage the house or kids.
- [Still have questions? Casey's *Knowledgebase* probably has the answer](#). If you're uncertain about anything after reading this report, or at any time as a subscriber, there's a good chance that our [Knowledgebase](#) addresses the issue. Just click on the Knowledgebase tab on our website and explore. You can even search by keyword. If there's a term you don't understand, visit the [Resource Dictionary](#).

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- Read our free newsletters. As a subscriber, you are automatically receiving [Casey's Daily Dispatch](#) and, once a week, [Conversations with Casey](#). *Casey's Daily Dispatch* will give a broad and entertaining view of everything from politics to resource markets, and a whole lot more. *Conversations with Casey* is a weekly interview with Doug Casey – famous contrarian investor and bestselling author – talking about the economy, the markets, politics, society... and anything else that matters. You can also sign up for [Ed Steer's Gold and Silver Daily](#) – a daily summary of the activity in the metals, currencies and energy markets, as well as expert commentary. All of these high-quality services are free... just part of the service.
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We hope this report has been helpful. It's always our goal at Casey Research to improve our products and, quite frankly, be the best in the business. We're glad you're a subscriber, and look forward to meeting you at some point, perhaps at one of our occasional Summits, to hear your story about what you're doing with your mountain of profits!

If you have additional questions or comments on this report, please visit the *Knowledgebase* on our website to share your thoughts. Or, e-mail us at info@caseyresearch.com.



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