

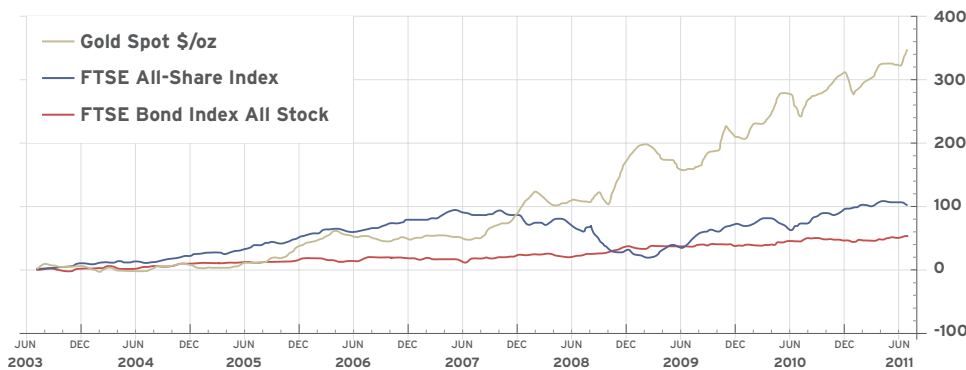
# Thesis Reflection

August 2011

## Gold as an investment of last resort

In the last month the price of Gold has passed through US\$1,800 a troy ounce\* due to the increasing issues surrounding Sovereign Debt in both the US and Europe and the falling global equity markets. Gold has become a safe haven for both institutional and private investors seeking to diversify away from conventional investment assets.

\*The troy ounce (ozt) is a unit of imperial measure. In the present day it is most commonly used to gauge the weight of precious metals.



Gold is seen as a protection against inflation, a store of value and, of all the precious metals, the most easily tradeable. The price of Gold is usually valued in US\$ and can also be used as a hedge against the currency.

## How you can gain access to investment in Gold

### Gold bullion

Coins have been a traditional way of accessing exposure to Gold through Sovereigns and Krugerrands, although Gold bars are now becoming more popular because of the shortage of coins. Gold bars are available through reputable Gold dealers in sizes from 1oz to 1kg. There is even the opportunity now to buy Gold through vending machines in various locations around the world!

### Exchange Traded Commodities (ETCs)

ETCs are the most direct route into precious metals, other than buying the bullion itself. As a form of Exchange Traded Fund, they track a particular sector or a commodity and like a Tracker Fund, they are passive investments and reflect the direction of the underlying index or commodity. With a Gold ETC your investment will rise and fall with the Gold Price.

### Gold managed funds

For those who are hesitant to invest in physical Gold but would still like to have exposure to the precious metal, mutual funds provide a helpful alternative. These are managed funds which invest in companies linked to Gold be it mining or operational. There are a number of these funds available from leading investment houses, some of which have been in existence for many years and have long established funds.

## Gold mining companies

The more adventurous investor can access through the stockmarkets quoted companies that actually explore or mine for Gold where there are high potential profits, but also with greater risk of loss. These companies are the proverbial high risk investments.

## Summary

The price of Gold has risen over sixfold in the last eight years and looks as though it may continue to rise further during these volatile times. There is a discussion on how much further the price of Gold can go over the short term, but the general consensus is that it will rise, with some anticipating a level of US\$2,000 in the coming twelve months. This could be seen as an asset bubble, but only history can identify a bubble with the benefit of hindsight.

Gold should not be bought as an investment alone and like other asset classes the value of Gold can go down as well as up. This does make it a risk asset and should be part of a well-diversified portfolio of investments.

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